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with Shopping Center Age

The newsmagazine for retail manage

November 1989

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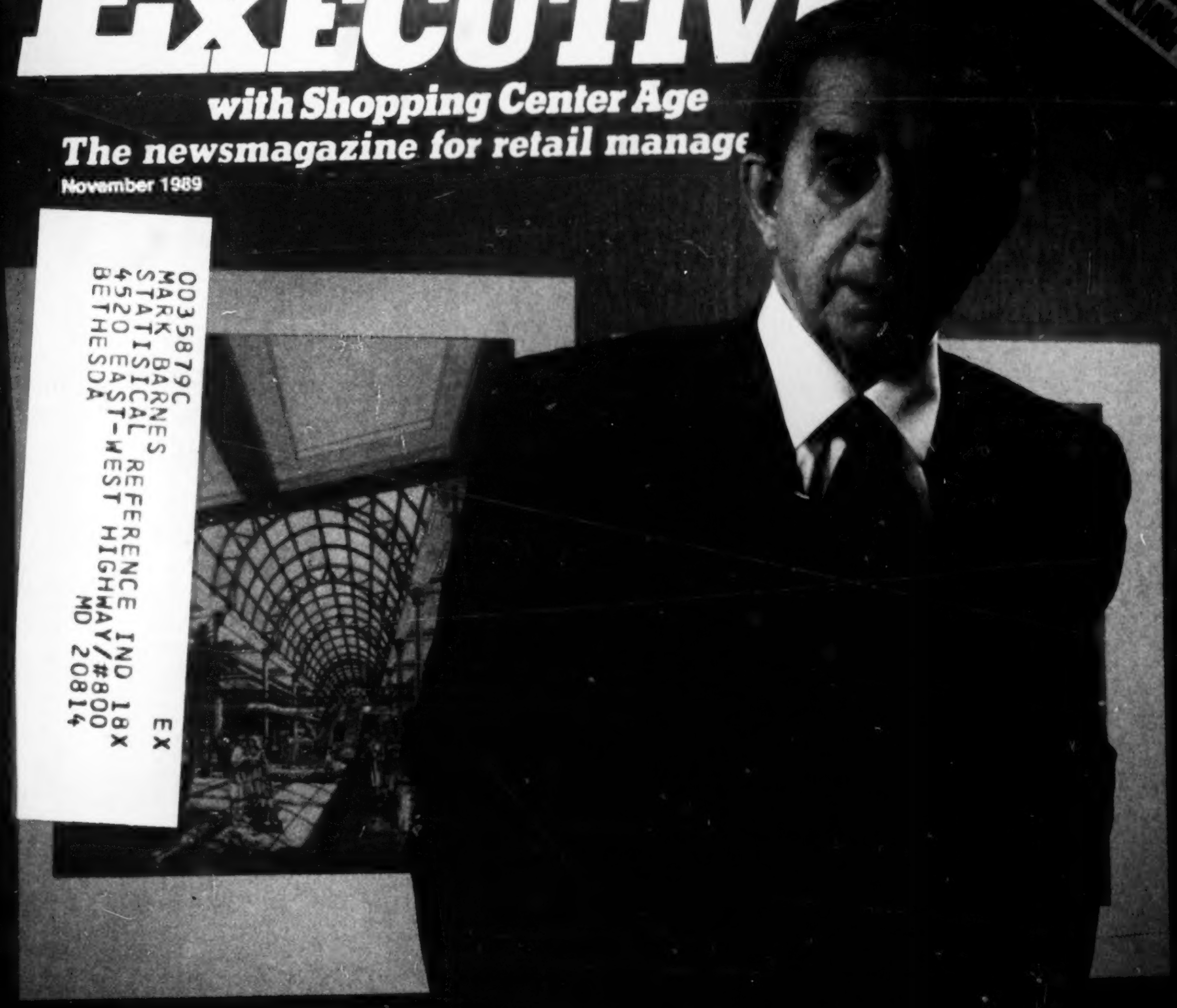

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Chain Store Age EXECUTIVE

with Shopping Center Age
The newsmagazine for retail management

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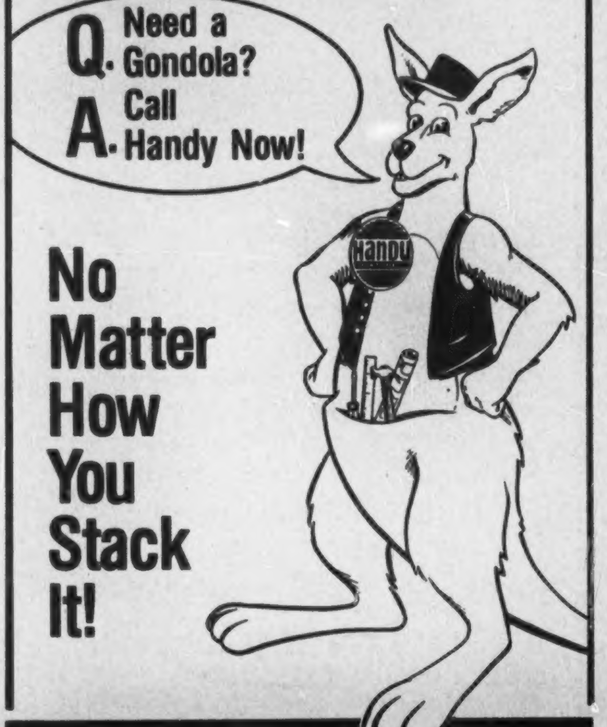
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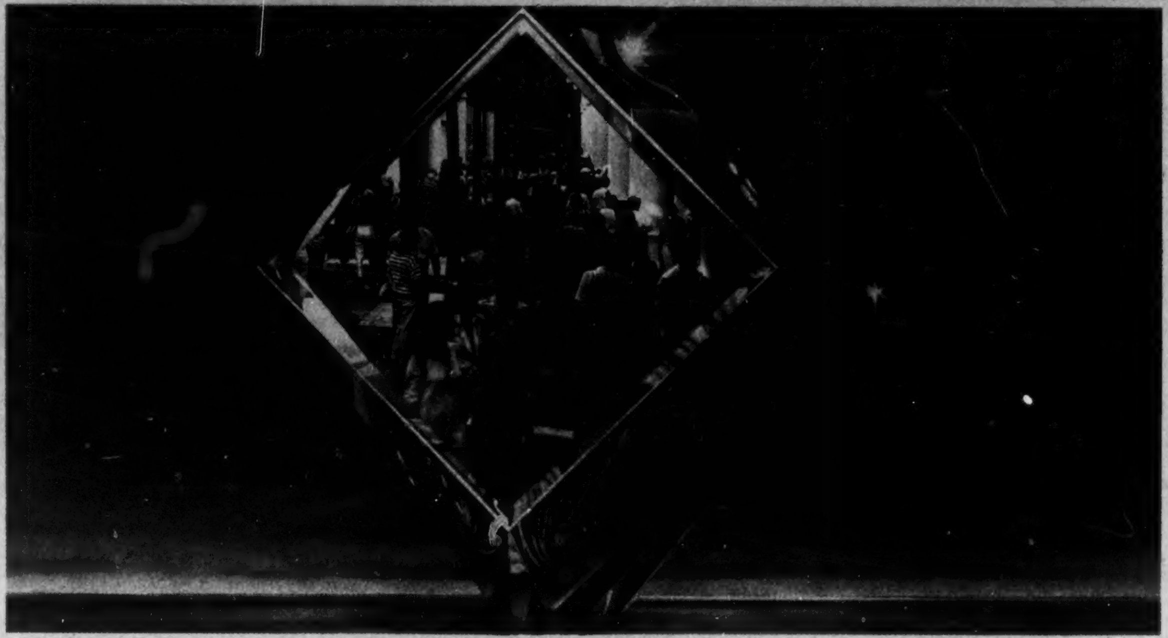

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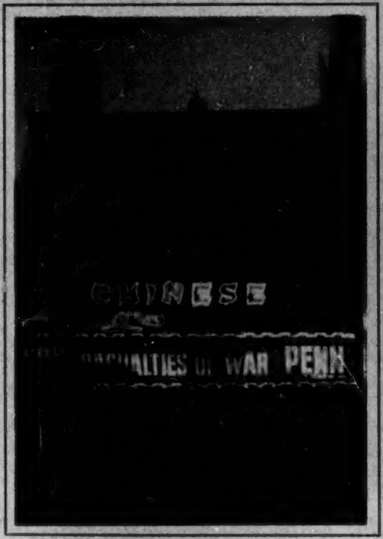

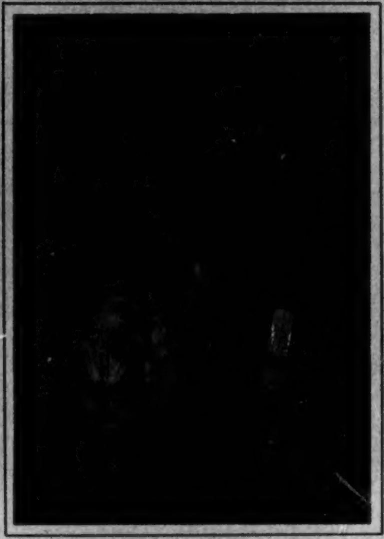

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This year's top 25 Big Builders are investing $7.8 billion in capital expenditures, a steady increase from last year's $7.6 billion

DAYTON HUDSON AGAIN TOPS BIG BUILDERS LIST

MAY DEPARTMENT STORES STILL CLOSE CONTENDER FOR NO. 1 SPOT

For the third straight year, Dayton Hudson has established itself as No. 1 among the nation's retailers in terms of capital expenditures.

The Minneapolis-based company says it will spend more than $700 million this year on building new stores and upgrading old ones.

For comparison, last year, Dayton Hudson spent $737 million, and the year before, $876 million.

Each year, the company's closest rival for top "big spender" honors has been May Department Stores. May spent $600 million in 1987, $660 million in 1988, and expects to spend about $700 million this year.

That would appear to place Dayton Hudson and May in a dead heat on this year's list of Big Builders, but *Chain Store Age Executive* rankings give Dayton Hudson the edge based on past performance.

No effect from '87 crash: In total, this year's top 25 Big Builders are investing $7.8 billion in capital expenditures, a steady increase from last year's $7.6 billion, and $7.4 billion the year before.

The progression suggests that the stock market crash of 1987 failed to create the wave of timidity that some pundits had expected. Indeed, it would seem retailers are little convinced by the theory that the U.S. is already overstored.

Whatever their reason, many retailers clearly see new construction as central to their long-term goals.

An obvious example is Sears, the nation's largest retailer. Seeking to increase its presence in smaller markets—a strategy perhaps inspired by the success of Wal-Mart—Sears substantially upped its capital spending in 1989 to $631 million, from last year's $400 million.

Many retailers see new construction as central to their long-term goals

As for Wal-Mart, the company will spend $593 million on capital projects this year, with heavy investments in test concepts like Hypermart USA and Wal-Mart Supercenters, both of which incorporate food to create a total one-stop shopping experience.

Of course, it's no surprise to find such companies as Dayton Hudson, May, Sears and Wal-Mart high on the list of Big Builders.

Each ranks among the top 10 retailers in the U.S. in terms of sales volume, as indicated in *Chain Store Age Executive*'s annual Exec 100 list (August 1989).

Arguably a more notable achievement is that of Toys "R" Us. The company ranks 24th on the Exec 100 list of the top 100 retailers. It ranks ninth on the list of Big Builders.

Toys "R" Us had a sales volume of $4 billion in 1988. It expects to invest $325 million on capital expenditures in 1989, fully 8% of the volume.

Another surprise when seen in this light is The Limited, which had a sales volume of $4.1 billion in 1988, and expected capital expenditures of $325 million for 1989.

Likely to raise even more eyebrows is Home Depot, which had sales of $2 billion in 1988, and will invest $200 million on capital expenditures in 1989—10% of the volume.

The figures are a testimonial to the aggressiveness of this young, Atlanta-based firm, which seems primed to take advantage of the growing interest in do-it-yourself home improvement.

Another anomaly is The Pep Boys,

a chain of auto supply and service stores. With a 1988 sales volume of $655 million, the company does not even appear on the Exec 100 list.

Yet it will invest $108 million on capital expenditures in 1989, more than 16% of the volume, to rank 24th on the Big Builders list.

And what of the future? What will companies' capital expenditures be in 1990 and beyond?

Fred Meyer is eying the Sacramento area as a prime new market for growth

A few retailers have already made their intentions known. K mart, for example, plans a $1.3 billion expansion through 1995 that will add approximately 700 stores to its roster of 2,307, with the intention of doubling the company's sales and profits.

Now the nation's second largest retailer, K mart has been seeking to overtake Sears as No. 1. The hope is this plan will succeed in accomplishing just that.

Meanwhile, The Limited plans to enlarge its selling square footage by 18% in 1990. This will result in the addition of 180-250 new stores, and the remodeling and expansion of 180-260 existing stores, says Leslie H. Wexner, the company's chairman and ceo.

"Our larger store formats have been working, in many cases beyond our expectations," he says. "Clearly, I believe the positive customer response to these stores provides a new direction for our business."

Northwest growth: Fred Meyer plans to continue growth in its large, multi-department combo stores, with 5-7 new stores added in 1990, and 7-10 in 1991.

The company is eying the Sacramento area as a prime new market for growth, and is seeking to put together a multiple-site package to make entry into that market viable.

Home Depot, now entering its second decade, targets growth of approximately 25% annually in the number of new stores over the next 10 years. Because new stores will be larger than existing units—up to 140,000 sq. ft., compared to a current average of 86,000 sq. ft.—selling space will grow at an even higher rate.

Kroger says it will build approximately 125 new stores, remodel about 460 existing stores and expand another 30 units in the years 1990-94. The company estimates the total capital expenditure will be $800 million.

At Wal-Mart, Sam's Wholesale Club will add at least 20 units, including a 130,000-sq.-ft. prototype that will embody expanded service. About 150 new Wal-Mart stores will be built, and there will be one new Hypermart USA and four additional Supercenters.

May's expansion plans through 1993 call for 68 new department stores, adding 9.3 million sq. ft. of retail space, and 700 new Volume Shoe stores totaling 2.1 million sq. ft.

Expenditures will reach $1.3 billion for new stores and $640 million for remodeling existing stores.

As for the three-time champion of capital expenditures, Dayton-Hudson, plans over the next few years are for the addition of 60 new Target stores, eight new Mervyn's stores, further expansion and renovation of Dayton Hudson department stores, and continued upgrading of technology. ■

—B.F.

BIG BUILDERS 1989

	Capital expenditures (000)			
Name	**1989**	**1988**	**No. of stores**	**Comments**
1. **Dayton Hudson** **Minneapolis**	$700,000	$737,000	618	The discount store division, Target, continues to receive the majority of the company's capital investment. In addition to new stores, capital is spent on maintaining stores, improving distribution, and upgrading systems and technology.
2. **May Co.** **St. Louis**	700,000	660,000	3,091	May is continuing to invest heavily in its Volume Shoe Corp. division, which operates principally under the Payless Shoe-Source name. The most vigorous expansion has been in the Northeast.
3. **Sears, Roebuck**[1] **Chicago**	631,000	400,000	1,649	The company's Merchandise Group is opening its stores under a market-driven concept, a program designed to increase Sears' presence in smaller markets.
4. **K mart** **Troy, Mich.**	600,000	570,000	2,307	The specialty retail group concentrated on new stores, while the general merchandise group pushed for refurbishments, expansions and automation.
5. **Wal-Mart** **Bentonville, Ark.**	592,756	527,960	1,381	The company is investing heavily in test store concepts such as Hypermart USA and Wal-Mart Supercenters, which incorporate food into total one-stop shopping.
6. **American Stores** **Irvine, Calif.**	550,000	500,527	1,285	An aggressive remodeling program at the chain's 216 Alpha Beta stores, located mainly in California, claims a large share of the company's capital budget.

BIG BUILDERS 1989

Name	Capital expenditures (000)		No. of stores	Comments
	1989	1988		
7. J.C. Penney **Dallas**	$500,000	$487,000	1,789	The company is rapidly expanding its chain of freestanding Portfolio furniture stores, and its chain of Units women's specialty shops.
8. Albertsons **Boise, Id.**	369,000	327,254	497	The supermarket chain is continuing to build exclusively big stores—combination units, superstores, and a few warehouse types.
9. Toys 'R' Us **Rochelle Park, N.J.**	325,000	325,000	522	Aggressive expansion is planned by the company as it seeks opportunities to gain market share in children's clothing and toys.
10. The Limited **Columbus, Ohio**	325,000	289,000	3,381	The company seeks moderate expansion, the remodeling of existing stores, and the upgrading of two distribution facilities.
11. F.W. Woolworth **New York City**	300,000	275,000	7,739	The record spending is principally meant to finance continued vigorous expansion of the company's specialty retailing.
12. Dillard **Little Rock, Ark.**	250,000	510,000	146	The department store chain has plans for major improvements, and significant expansions, in existing stores.
13. A&P **Montvale, N.J.**	200,000	200,000	1,241	The acquisition-hungry supermarket chain seeks to protect its investments through refurbishments and modernization.
14. Melville Corp. **Harrison, N.Y.**	200,000	188,100	6,540	The company consistently seeks to expand its myriad divisions into strip centers and malls where it already has divisions.
15. Home Depot **Atlanta**	200,000	105,000	96	This aggressive young company seeks rapid expansion to take advantage of growing interest in do-it-yourself home improvement.
16. Kroger Co. **Cincinnati**	180,000	350,000	2,206	After corporate restructuring, Kroger now focuses on those markets where it already enjoys a strong competitive position.
17. Food Lion **Salisbury, N.C.**	180,000	180,000	567	Food Lion continues to be one of the fastest-growing supermarket chains in the nation, with ambitious plans for expansion into new markets.
18. Winn-Dixie Stores **Jacksonville, Fla.**	154,000	205,600	1,246	The chain is seeking to bolster its New Orleans division, expanding it into northern Louisiana and southern Mississippi.
19. Walgreen **Deerfield, Ill**	150,000	120,000	1,416	Walgreen cites a number of factors favorable to aggressive expansion—including the aging of the population, the increasing number of births, and shorter hospital stays.
20. Hannaford Bros. **Scarborough, Me.**	150,000	83,000	72	This market leader in Maine is increasing its presence in Massachusetts and upstate New York.
21. Giant Food **Landover, Md.**	140,000	93,000	145	Known for its outstanding specialty departments, this supermarket chain is concentrating on remodels, expansion and modernization.
22. Fred Meyer **Portland, Ore.**	115,000	101,000	112	The combination store retailer is seeking accelerated growth of its specialty store formats: Jewelry stores, general merchandise stores, and nutrition centers.
23. Nordstrom **Seattle**	111,000	119,200	58	Concentrated on the West Coast, the chain has commitments to open stores in northern New Jersey and suburban Chicago, and is eyeing Denver, Minneapolis, and Boston.
24. The Pep Boys **Philadelphia**	108,000	123,189	243	The opening of a new 244,000 sq. ft. distribution center in Dallas has enabled this chain of auto supply and service stores to expand markedly in the Southwest.
25. Lowe's **North Wilkesboro, N.C.**	97,000	82,000	296	Lowe's, the nation's largest retailer of building materials, is placing its emphasis on newer, larger stores, which it has found to be highly profitable.
26. U.S. Shoe **Cincinnati**	88,545	93,128	2,512	The company is rapidly expanding its LensCrafters division of optical superstores.
27. The Gap **San Bruno, Calif.**	85,000	67,679	900	Planned is strong growth for the Gap and Gap/Kids formats, but modest expansion for Banana Republic, which is in the midst of repositioning to broaden its consumer appeal.
28. Carter Hawley Hale **Los Angeles**	80,000	70,000	112	The bulk of this company's capital expenditures are for store modernization.
29. Ames **Rocky Hill, Conn.**	68,500	51,900	850	Ames is implementing new retail and financial systems in its newly acquired Zayre stores.
30. Supermarkets General Corp. **Carteret, N.J.**	65,000	170,000	268	Heavily saddled with debt since its 1987 LBO, the company is struggling to maintain market share by enlarging its stores and modernizing their physical plants

[1] Refers to company's retail operations only.
Stores are ranked by 1989 expenditures first, then 1988 expenditures in the event of a tie.
Source: *Chain Store Age Executive* research and company annual reports

APPAREL SURVEY: SELECTION GETS TOP VOTES

MEN AND WOMEN SHOPPERS LIST SPECIALTY STORE CRITERIA

Men and women may be different, but in at least one key discriminating area they are similar.

Both sexes profess that selection is their most important criterion when choosing to shop an apparel specialty store, though women seem to give it greater weight than do men.

Men, on the other hand, value quality and service more highly than do women. To find the apparel stores of their choosing, men are more willing to travel since they do not place as high a premium on location as do women. Men also are not as price-sensitive as are women.

Impact Resources, the Columbus, Ohio, market research firm that surveyed more than 177,000 consumers in 27 major markets from January 1988 to March 1989 to develop the data, found that almost without exception men and women ranked their criteria similarly, regardless of which region of the country they inhabited.

Selection first: Men first mentioned selection, followed by quality, price, service and location, whereas women's preferences were selection, quality, price, location and service.

The research further showed the respective strengths of numerous retailers with their regular customers.

The Gap, for example, which does not market itself as a price leader, indeed is not perceived as a store one goes to for price.

Yet considerably more of its Midwest customers (55.6%) choose it for price than do Northeast shoppers (35.4%).

At the same time, more Midwesterners cite The Gap for selection than do Northeasterners, 82.6% to 68.5%.

Casual Corner, the beleaguered U.S. Shoe division, has real turnaround potential if it could only get more customers to sample its stores.

Among customers who regularly shop the chain there is impressive loyalty. Quality, service and selection are top rated by Casual Corner's customers.

---

*Impact Resources of Columbus, Ohio, is a consumer information company that provides media and retail businesses in-depth local consumer information in a timely fashion. The basis of the company's product is a research methodology called MA*RT, an acronym for market Audience-Readership Traffic.*

Selection most important to women's apparel shoppers

	Northeast	Midwest	West	South
Price	46.5%*	48.8%	54.0%	53.0%
Selection	73.7	74.2	72.4	72.3
Location	36.8	30.4	37.5	34.3
Quality	47.9	43.6	48.9	41.6
Service	23.9	22.5	26.5	23.9

* To be read as: 46.5% of women in the Northeast who shop for women's apparel at a specialty store choose the store because of price.

Regional averages for each motivator represent the average of all women's specialty apparel retailers polled in that region.

Source: Impact Resources

Men value quality and service in apparel stores

	Northeast	Midwest	West	South
Price	38.0%*	37.6%	39.6%	41.4%
Selection	63.3	68.9	66.0	66.6
Location	27.0	27.3	30.7	28.4
Quality	51.1	56.2	53.9	54.6
Service	28.5	29.4	31.7	30.2

* To be read as: 38.0% of men in the Northeast who shop for men's apparel at a specialty apparel store choose the store because of price.

Regional averages for each motivator represent the average of all men's specialty apparel retailers profiled in that region.

Source: Impact Resources

Casual Corner's customers really like it

	Northeast	Midwest	West	South
Price	Ormond Shop (71.7)* Fashion Bug (64.7) Deb Shops (64.0)	Fashion Gal (87.5) Jean Nicole (68.2) Deb Shops (67.6)	Fashion Gal (89.9) Clothestime (77.0) Petrie (70.9)	Clothestime (83.1) Deb Shops (76.8) Jean Nicole (67.9)
Selection	Merry-Go-Round (82.4) Casual Corner (82.0) Limited (81.3)	Brooks Fashions (82.6) The Gap (82.6) Deb Shops (81.3)	Lane Bryant (85.6) Limited (84.2) Casual Corner (84.0)	Deb Shops (84.0) Merry-Go-Round (83.4) Brooks Fashions (82.2)
Location	Ormond Shop (48.4) 16 Plus (48.2) Fashion Bug (46.5)	Fashion Bug (46.7) Jean Nicole (37.8) The Gap (37.4)	Stuarts (47.0) Miller's Outpost (45.3) The Gap (43.7)	Clothestime (44.6) Brooks Fashions (44.3) Fashion Bug (44.1)
Quality	Casual Corner (76.1) Limited (65.6) Brooks Fashions (58.6)	The Gap (63.5) Limited (59.7) Madigans (56.5)	Casual Corner (73.7) Limited (72.1) The Gap (58.3)	Casual Corner (69.8) Limited (59.5) The Gap (57.5)
Service	Casual Corner (36.9) 16 Plus (32.3) Fashion Bug (29.8)	Casual Corner (34.0) Fashion Bug (27.9) Brooks Fashions (27.1)	Casual Corner (34.0) Limited (33.1) Charlotte Russe (30.3)	Casual Corner (36.5) 16 Plus (33.7) Brooks Fashions (30.8)

*To be read as: 71.7% of Ormond Shop's regular shoppers in the Northeast choose the store because of price.

Source: Impact Resources

SLUGGISH RESULTS CONTINUE AT SEARS

The nation's biggest retailers reported modest sales gains for September, reflecting consumer enthusiasm for back-to-school apparel. That enthusiasm, however, was tempered by a continued lag in sales of big-ticket durable goods.

Hardest hit was Sears, whose comparable-store sales fell 1.8% for the month, marking the third straight month of declining same-store sales for the country's largest chain.

Many analysts have concluded that Sears' new everyday low price policy has lost considerable impact since it was first introduced March 1. At that time, the retailer cut prices 20%-50% on 50,000 items in its stores and catalog. Stepped-up price competition from Sears' largest rivals seems to have deadened the impact of the move, analysts say.

Michael Bozic, chairman of Sears Merchandising, explained the results by saying, "Our total results were offset by softer sales in major home appliances, furniture, and other durable goods."

Meanwhile, as Sears' fortunes decline, the picture at Wal-Mart Stores could hardly look rosier. The nation's third largest retailer posted a 30.5% sales gain in September, to $1.97 billion, with a whopping 16% increase in same-store sales. The increase was the largest reported by a big retailer, and indicated no let-up for the retailer's striking growth trend.

J. C. Penney continued to benefit from its move away from durables and into larger selections of apparel and soft lines. The retailer posted an 11.6% total increase and a 10.5% same-store gain.

Analysts say they believe the September results bode well for a healthy Christmas season, especially for those retailers whose business is composed primarily of apparel.

Company	September '89 sales ($000)	% change	% change comp. stores	YTD sales ($000)	% change YTD	% change YTD comp. stores
Sears	$3,007,446	+ 0.4	− 1.8	$21,223,939	+ 5.2	+ 3.3
K mart	2,574,594	+ 6.1	+ 3.0	17,709,939	+ 4.7	+ 1.2
Wal-Mart	1,973,000	+ 30.7	+ 16.0	16,515,000	+ 25.9	+ 11.0
Penney	1,495,000	+ 11.7	+ 10.5	8,498,000	+ 8.3	+ 8.8
Dayton Hudson	1,170,000	+ 17.8	+ 9.8	9,010,000	+ 13.8	N/R
May	880,400	+ 8.9	+ 8.6	6,988,500	+ 10.3	+ 6.1
Melville	728,000	+ 16.2	N/R	6,035,400	+ 12.2	N/R
Woolworth	612,000	+ 8.0	N/R	5,384,000	+ 8.8	N/R
Carter Hawley Hale	260,600	+ 6.2	+ 5.8	1,874,000	+ 6.2	+ 6.4
Walgreen	465,056	+ 13.7	+ 11.1	3,975,274	+ 11.2	N/R
[illegible]	437,000	+ 113.2	+ 8.8	3,136,000	+ 122.4	+ 3.2
[illegible]	444,981	+ 0.9	N/R	2,959,229	+ 4.5	N/R
The Limited	418,100	+ 6.9	+ 6.0	2,730,000	+ 13.4	+ 11.0
Mercantile	207,541	+ 2.3	+ 1.9	1,394,738	+ 3.1	+ 2.4
[illegible]	178,881	+ 16.5	+ 0.1	1,192,843	+ 23.0	+ 2.7
The Gap	160,000	+ 27.0	+ 17.0	916,000	+ 25.9	+ 16.0
Circuit City	166,800	+ 21.0	+ 2.0	N/R	N/R	N/R
[illegible] Group	185,500	+ 28.7	+ 14.2	N/R	N/R	N/R
[illegible]	100,918	+ 2.4	− 1.3	914,358	+ 2.7	− 2.6
[illegible]	72,447	+ 10.8	+ 5.0	498,966	+ 10.8	+ 4.0
[illegible]	63,000	+ 16.7	+ 10.0	486,000	+ 16.2	+ 11.0
Dollar General	40,200	− 9.4	− 11.8	392,900	+ 0.3	+ 6.1
Best Buy	38,000	+ 3.9	+ 7.0	235,000	− 2.0	N/R
[illegible]	18,867	+ 18.9	+ 7.8	127,331	+ 17.1	+ 8.7
Claire's	14,000	+ 27.0	+ 16.0	100,400	+ 48.0	+ 31.0

N/R — not reported

Source: Company reports

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SPECIAL REPORT

WHAT HAPPENS WHEN...

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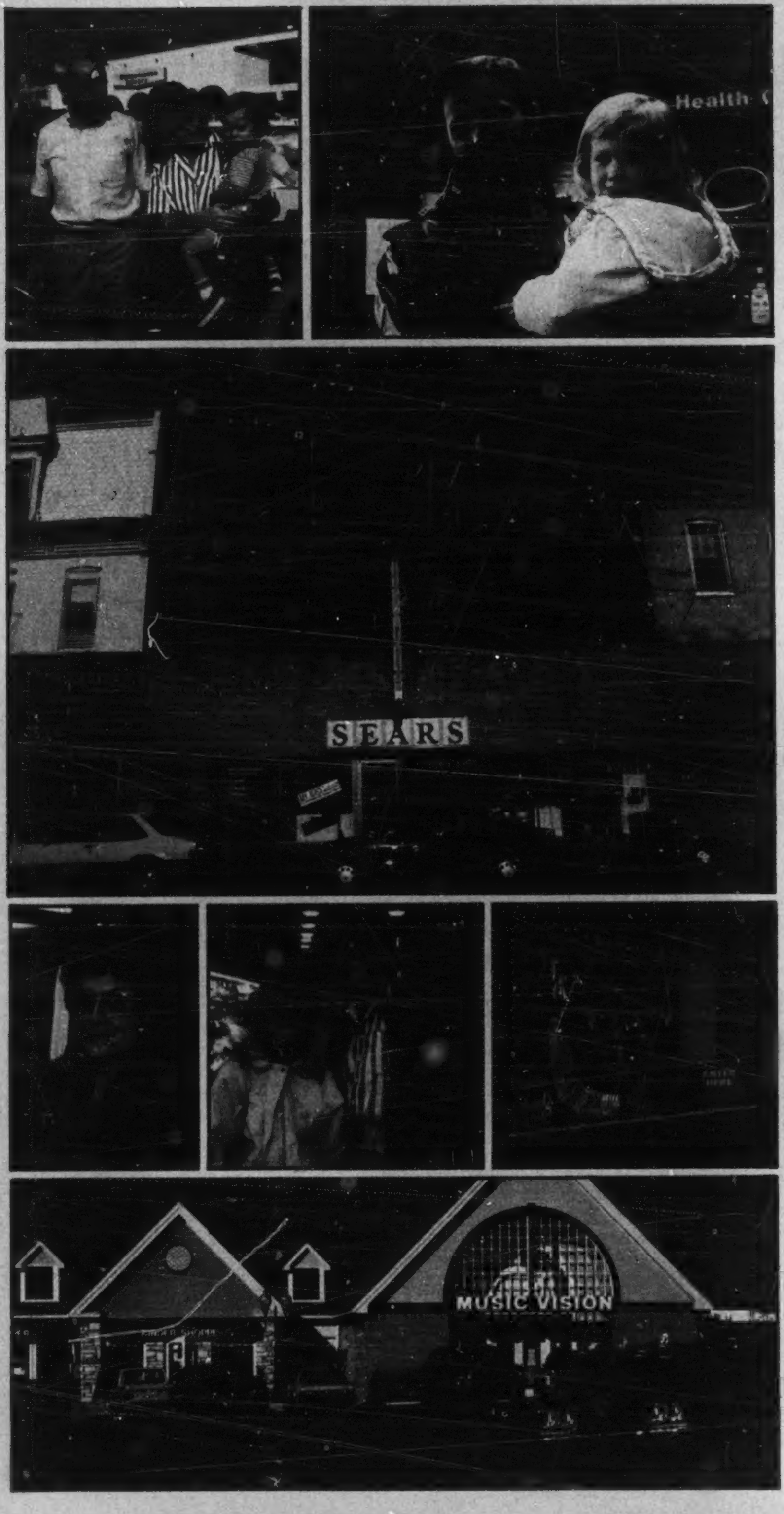

WHAT HAPPENS WHEN...

. . . a supercenter moves to town? Washington, Mo. (population 12,000) and Kankakee, Ill. (population 54,000) have learned that big, grocery-and-general-merchandise combo stores don't always spell disaster for local retailers. In March 1988 Wal-Mart opened a 126,000-sq.-ft. Wal-Mart Supercenter 70 miles southwest of St. Louis in tiny Washington. Twenty miles south of Chicago, K mart debuted its first Super K mart in Kankakee in April 1989. A special 14-page report explores this modern tale of two cities, examining what happens to local merchants when big stores move into small markets. 23

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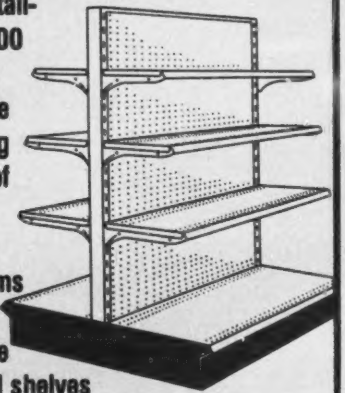

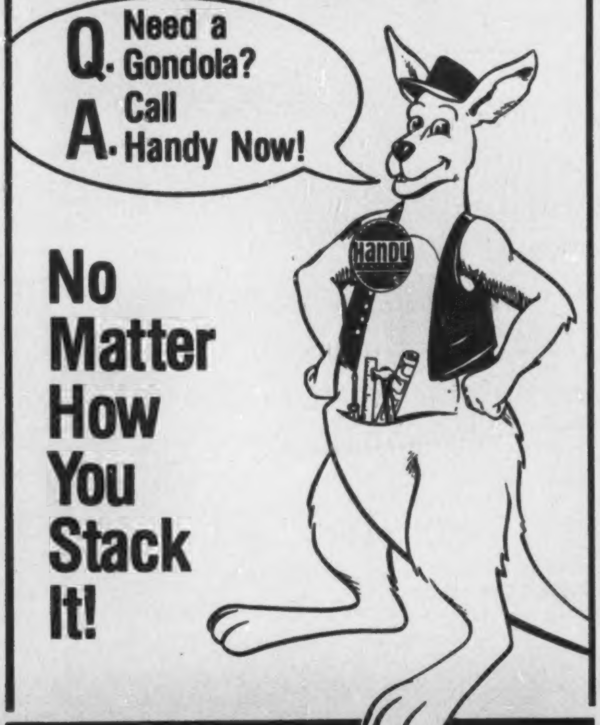
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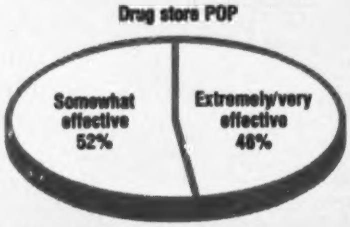
THE EXODUS CONTINUES

Add David Dworkin to the list of executives leaving LJ Hooker and its holdings. The list should get longer in the weeks ahead. The president and ceo of Hooker's Bonwit Teller division left the firm in early November after his contract was rejected in bankruptcy court on Oct. 30. Hooker has obtained a court order permitting it to reject contracts with 16 other top executives, to discharge 25 lower-level executives and to negotiate new employment agreements. Dworkin left to become chairman and ceo of British Home Stores, a 134-branch department store based in London. He joined Bonwit's in March 1988, and had 3½ years left on his contract. His attempt to buy out Hooker was rejected earlier this year.

POP QUIZ



Source: POPAI

Almost all retailers use point-of-purchase advertising, but how effective is it in boosting sales? Here's what a survey of retail executives by the Point of Purchase Advertising Institute (POPAI) says: Most enthusiastic are drug store executives, 48% of whom say POP is "extremely" or "very" effective. Only 20% of discount store executives agree. Fifty-six percent of drug store executives say POP displays carry too much product, while 60% of discount store executives say displays carry the right amount. Product samples were rated the most effective form of POP by drug store executives. Discount store executives rated fixtures most effective; at convenience stores it was shelf-talkers. Electronic interactive displays were rated most favorably by drug store executives, least favorably by C-stores.

HO-HUM HOLIDAY

Retailers can expect a less-than-merry Christmas this year. So says Walter Loeb, senior retail analyst with Morgan Stanley. Loeb predicts a late and heavy promotional Christmas for the nation's retailers, with sales up only 4.5% over last year. Heavy mark-downs will keep profits down. "Very few retailers will hold merchandise at regular prices till after Christmas," Loeb says. "Dillard's will be one of the few exceptions to this trend." The analyst predicts a slow spring with a strong turnaround in the second half of 1990.

TRIMMING DOWN

No matter who is left standing after the department store industry shake-out, expect the survivors to continue with much smaller staffs. "Costs are going to have to be reduced across the board. In fact, the way most retailers do business must change," says Joseph Carideo, senior retail partner at Thorndike Deland Associates, a New York City-based executive search firm. Noting the layoffs at Federated and Associated, he says cuts of between 20% and 40% would not affect image or customer service.

TOYS 'R' US GOES ABROAD

The New Year promises to be a busy one for Toys "R" Us. On the domestic scene, the chain plans to open 45-50 new stores. "Toys" will also be busy on the international front, opening up 25 new stores in Europe in 1990. The company has no plans to roll out its Kids "R" Us apparel division overseas. "Toys are international, clothing is not," chairman Charles Lazarus explains. And in a patriotic side note: Lazarus says that in Europe, shoppers refer to the company as Toys "R" U.S.

HYPERMARKETS RELY ON PRICE, SELECTION

CROSSOVER FOOD, GENERAL MERCHANDISE PURCHASES ARE LIMITED

Huge stores the size of several football fields selling groceries and general merchandise under one roof are not new. Meijer's Thrifty Acres in Michigan and Fred Meyer in the Pacific Northwest have been successfully practicing this concept for years before hypermarkets and supercenters became all the rage during the last three years.

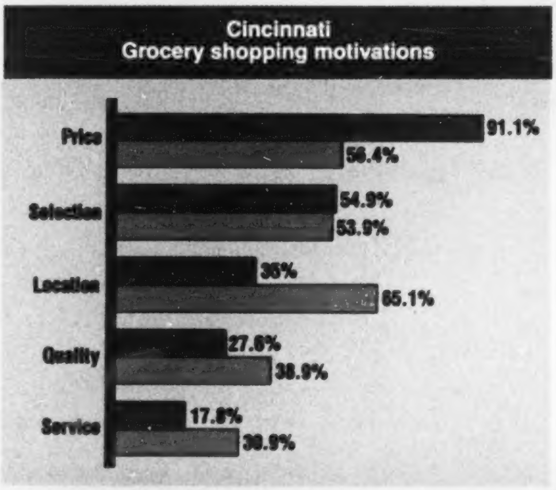
Meijer and Meyer are not traditional hypermarkets. They provide a wide range of product, unlike Biggs which adheres to a more typical European approach of limited assortments.

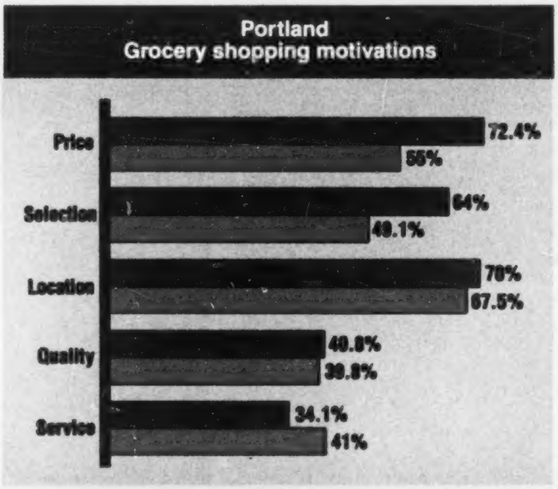
This difference shows up in consumer research by Impact Resources of Columbus, Ohio. It found that grocery shoppers preferred Meijer's and Meyer's broader selections compared to conventional stores. Biggs' selection did not compare as favorably.

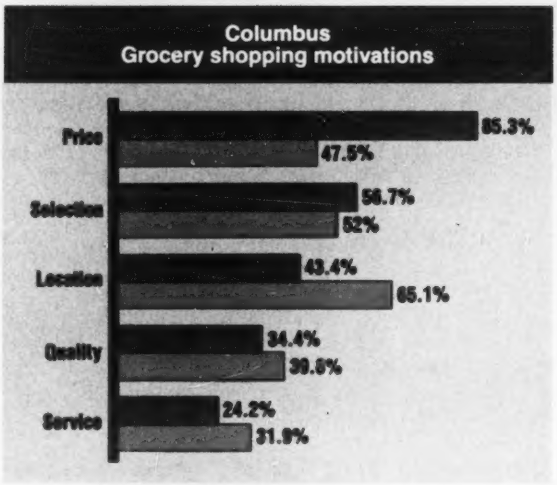
For all markets studied, price is the major drawing card. The hypermarkets do not win the location, quality or service comparisons.

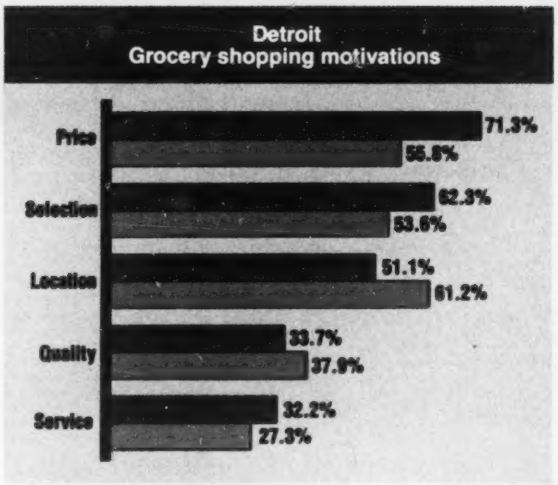
Overall preferences for hypermarkets are: Columbus, 7.4%; Cincinnati, 11.2%, Detroit, 6.6%; and Portland, 17.1%. Conventional supermarkets garnered the following preferences: Columbus, 53%; Cincinnati, 53.4%; Detroit, 48.9%; and Portland, 43.8%.

Hypermarkets are the first choice of a department store by 19.5% of Portland's Fred Meyer shoppers, 14% of Columbus Meijer shoppers, 11.1% of Biggs shoppers, and 8.5% of Detroit Meijer shoppers.









■ Hypermarket ▨ Conventional grocery

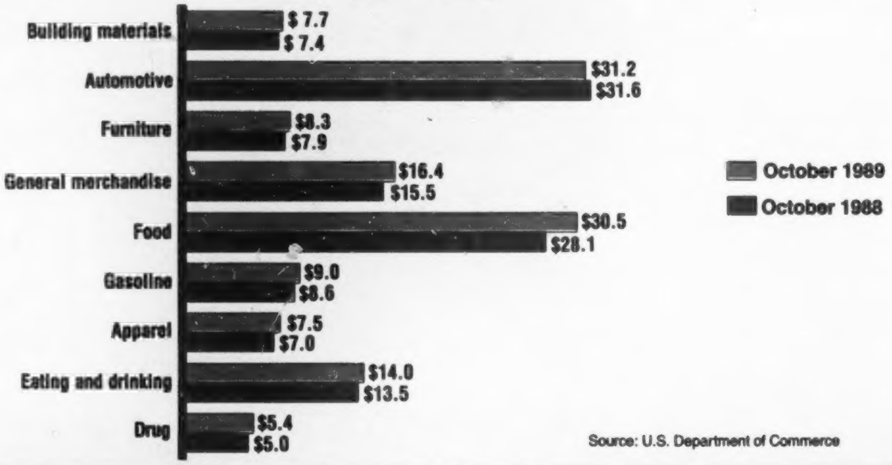
Source: Impact Resources

CONSUMER SPENDING SPREE SLOWS

AUTOMOTIVE SALES SLIP, RETAIL CHAINS POST MODEST GAINS

OCTOBER SALES

(figures in billions)



Source: U.S. Department of Commerce

CHAIN PERFORMANCE

Company	October '89 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,528,369	+0.7	–	$23,752,270	+4.7	+2.9
K mart	2,070,631	+5.3	+2.1	19,700,570	+4.7	+1.3
Wal-Mart	2,186,000	+21.8	+8.8	17,701,000	+25.0	+11.0
Penney	1,277,000	+9.6	+8.1	10,132,000	+8.2	+6.9
Dayton Hudson	969,000	+16.2	+8.5	8,530,000	+14.6	+6.9
May	785,700	+9.3	+6.7	6,287,600	+14.6	+6.1
Woolworth	629,000	+9.3	+4.6	6,013,000	+8.8	+4.3
Melville	563,200	+12.8	+2.3	5,596,626	+12.2	+4.7
Walgreen	461,582	+14.0	+10.3	4,436,847	+11.5	+10.5
Ward	368,463	+1.0	N/R	3,337,692	+4.1	N/R
The Limited	334,900	+9.0	+6.9	3,065,000	+13.0	+10.0
Ames	368,000	+103.3	+4.2	3,523,000	+121.3	+3.4
Carter Hawley Hale	283,900	+1.6	+4.6	1,878,700	+5.7	+5.3
Mercantile	170,769	−0.5	−1.0	1,634,407	+2.7	+2.0
Circuit City	157,000	+21.0	+2.0	N/R	N/R	N/R
Hills	161,000	+8.5	−7.1	1,354,051	+23.6	+1.4
Rose's	106,035	+2.6	−2.7	1,020,105	+2.7	−2.6
The Gap	126,000	+24.8	+13.0	1,041,000	+26.0	+15.0
Neiman-Marcus Group	131,000	+10.4	+7.6	N/R	N/R	N/R
Jamesway	69,532	−0.2	−3.0	567,667	+9.9	+8.0
Ross	47,000	+15.0	+7.8	500,000	+18.0	+11.0
Dollar General	57,200	−1.1	−3.1	420,100	N/R	N/R
Best Buy	40,000	+8.0	+5.0	205,000	−0.5	N/R
Gottschalks	16,200	+10.5	+9.1	143,000	+16.3	+5.0
Claire's	11,540	+33.0	+17.0	111,900	+46.0	+29.0

N/R = not reported

Source: Company reports

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"1990 marks the start of the third wave in retail technology."

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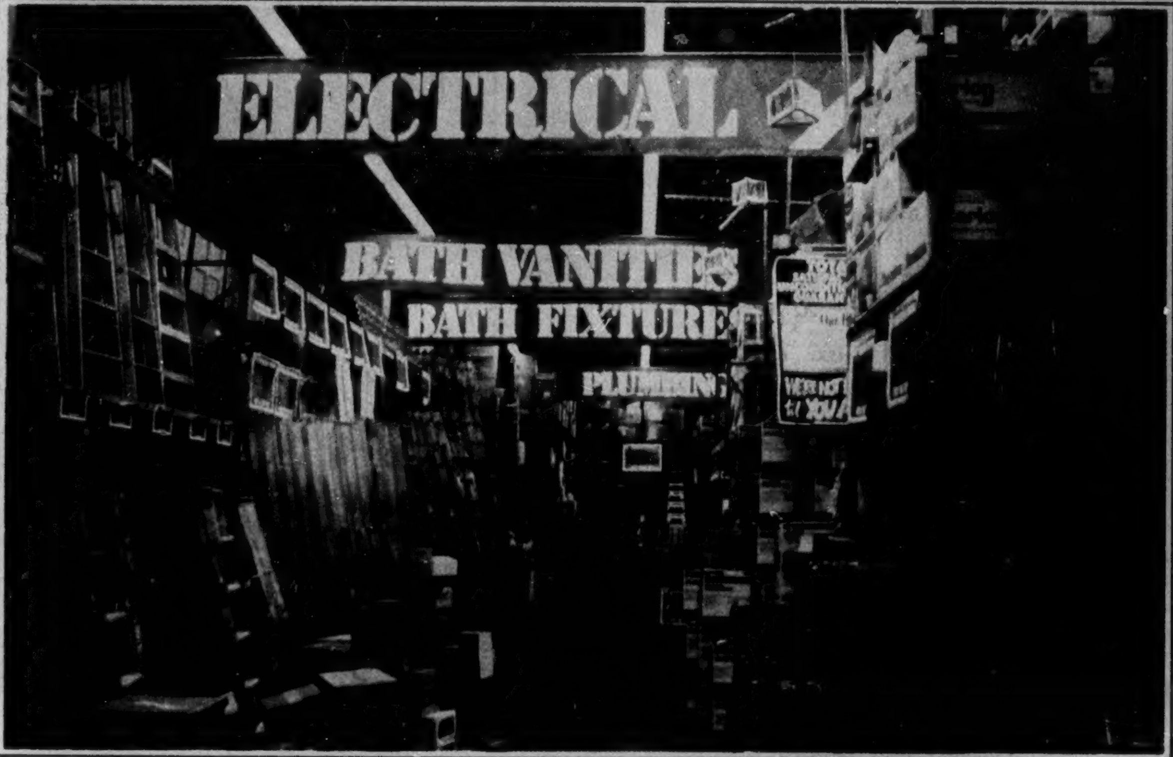

TOWARD 2000: A SPECIAL REPORT

Trendsetting companies are top performers for some very simple reasons: The status quo is never good enough for them and they refuse to see themselves in conventionally-defined ways. A *Chain Store Age Executive*/Management Horizons special report explores retailing as it hurtles Toward 2000. 27

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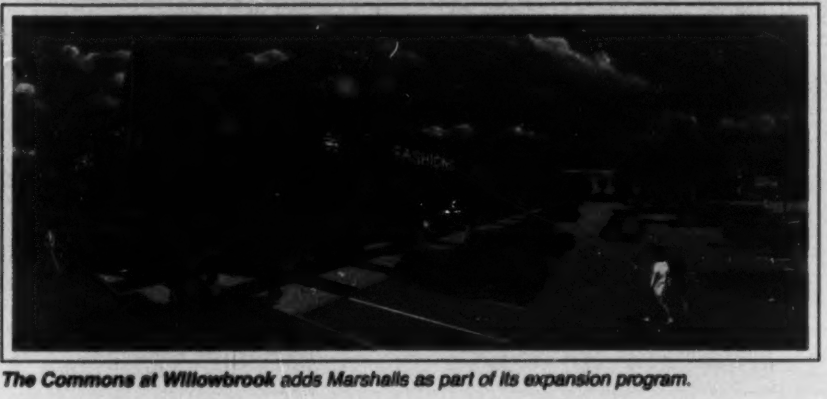

The Commons at Willowbrook adds Marshalls as part of its expansion program.

The firm has built the 450,000-sq.-ft. NASA Value Center just outside the complex's main entrance. Fiesta Mart anchors the center with a 235,000-sq.-ft. mega-store. Pottery Mart has a 150,000-sq.-ft. warehouse, its only site in the market. The entire complex interconnects with a Wal-Mart.

Fiesta Mart has been expanding in the market for several years, observes David Kayle, director of real estate for the supermarket. Current plans call for three openings per year.

"The time is right. Many oil companies have consolidated back to Houston, and other firms are relocating here, as well. It's a question of affordability," Kayle says.

But for retailers, it may already be too late. Those now wishing to rush into the city may well find that they are just a bit late for the most advantageous prices, Kayle adds.

"The best time to get into the market was a year ago. The publicity surrounding the city's comeback is now national, and the window is closing. You simply won't have the locations," Kayle observes.

Ready funds: It may actually be easier to build larger projects than neighborhood centers. National developers have more and larger sources of funds than local banks.

One major mall is set for Texas City, 20 miles southeast of Houston. The Edward J. DeBartolo Corp., Youngstown, and the MGHerring Group of Dallas are building Mall of the Mainland, at the intersection of I-45, Hwy. 2004 and the Emmett F. Lowry Expressway.

The 819,000-sq.-ft. center, set for a March 1991 opening, will be anchored by Dillard's, Sears, J. C. Penney and a fourth department store to be announced. The center will include some 100 specialty shops, a food court and 35,000-sq.-ft. cinema.

Across from the main mall, Atlanta-based New Market Development is building Mainland Crossing. The 300,000-sq.-ft. center will open in spring 1991.

Smaller developers' difficulty in raising funds may nonetheless have its good side. The scarcity of money precludes inexperienced developers from building ill-advised strip centers. Certain areas around Houston are dotted with decade-old strips that are nearly, if not completely, empty.

"Don't confuse strip centers with the malls. Many of the strips should never have been built," observes M.G. (Buddy) Herring, president of MGHerring Group. "Lenders and S&Ls gave money to second-, third- and fourth-tier developers who shouldn't have been doing them to start with. Many were unanchored. You'll never be able to do anything with some of them."

Ill-advised strip centers were not the only development mistakes made.

"Office buildings and apartments were overbuilt. The mall business was never overbuilt," Herring says.

Herring also supervised the recently completed redevelopment of Westwood Mall in the city.

In a joint venture with Woodlands, Tex.-based Woodlands Corp., Homart Development is working on The Woodlands planned community. The town-within-a-city, to be built north of Houston, will feature a six-anchor, 1 million-sq.-ft. mall. Phase 1 completion is tentatively set for 1992.

Forthcoming from Houston-based Levcor is River Oaks Plaza. The 225,000-sq.-ft. center inside Loop 610 will be anchored by a 12-screen Cineplex Odeon. Completion is set for 1990.

While Houston is still having some difficulties, they're the right kind. This bodes well for the rest of Texas, says Herbert D. Weitzman, president and ceo of the Weitzman Group, Dallas. Weitzman is now working on two projects in Austin.

"Houston is a good barometer. When they're kicking in Houston, it sends a signal to the rest of the state," he says. ■

—Debra Hazel

DALLAS WAITS FOR THE BOOM

LARGE-SPACE USERS CLAMOR FOR REAL ESTATE

The story of development in Texas' two major cities is one of lack of opportunity in recovering markets. In Houston, troubled local banks are only now starting to loosen the pursestrings for development. Dallas simply doesn't have the shells to accommodate the 25,000-30,000-sq.-ft. users who are clamoring to enter the market.

"Not only are we seeing apparel anchors such as Ross and T. J. Maxx entering the market, Office Club is looking," says Larry J. Leon, president of Larry J. Leon & Associates, Dallas.

Financing tough: So far, Dallas' recovery is not as far along as Houston's. Like its sister city, development of neighborhood and community centers is dragging because of tight money-lending policies.

"Many positive things are happening. The only problem is real estate. We can't get new projects done," says Howard Beckerman, president, First Newport Cos., Dallas.

The pace may quicken shortly, he says. "New money is coming in, from both the East and West Coasts and Canada. New retailers such as Silk Greenhouse and Circuit City are coming in, and several here for years would like to expand," adds Beckerman.

"Dallas has all the accoutrements to be a world-class city. It has two airports, and major firms such as J. C.

The Parks at Arlington plans to open Phase 2 with Foley's and 55,000 sq. ft. of mall space.

Texas

1989 retail sales: $116,617,702,000
1989 population: 17,203,146
1994 population: 18,632,502
1989 median household income: $27,302
1994 median household income: $33,299

Houston Metropolitan Statistical Area

1989 retail sales: $23,672,783,000
1989 population: 3,273,096
1994 population: 3,512,974
1989 median household income: $31,545
1994 median household income: $37,790

Dallas Metropolitan Statistical Area

1989 retail sales: $20,016,243,000
1989 population: 2,549,093
1994 population: 2,811,322
1989 median household income: $33,581
1994 median household income: $42,604

Source: Donnelley Marketing Information Services

Penney and Exxon are moving to the area," observes Victor Suvall, leasing director at Teaneck, N.J.-based Interstate Properties.

The firm is working on four projects in the area. Leasing continues on Mesquite Crossing, across from Town East Mall. The 60,000-sq.-ft. center opened in September 1989. The project is about two-thirds leased.

Suvall is confident that more tenants will come. "The location is so good, tenants will roll in. There is little tenant loyalty in Dallas. If they see a better deal, they'll move. Mesquite, originally a blue-collar area, is now a bit more mid-America," he explains.

Interstate will open Skillman/Abrams Crossing in March. Located inside the loop, the 160,000-sq.-ft. center will be anchored by Ross Dress for Less. Albertsons will anchor the Lewisville Town Center, with 121,000-sq.-ft. Opening is set for August.

Part of the city's revival actually stems from the depths of its recession. Office, commercial and residential real estate prices are so low compared with other major urban areas that newcomers are taking a close look.

The combination of low costs and a well-developed infrastructure are making the Dallas/Fort Worth metroplex increasingly attractive to business. Developers feel that interest in retail is bound to follow.

"Prices are at the bottom, so we're now seeing quite a bit of investor activity," says Herbert D. Weitzman, president and ceo of locally-based Weitzman Group. The firm is putting together five new centers throughout the Dallas/Fort Worth region, all anchored by Target.

Dallas-based Lincoln Property has just entered into a $230 million joint venture with GE Investment Realty Partners I. Lincoln continues to manage and lease the centers involved, which include properties in Dallas/Fort Worth, Florida and Georgia.

Developer consolidation: "When I got in this business 12 years ago, there were four developers operating here. Then there were 25. It should soon be back to about four," observes

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BALLSTON COMMON
ARLINGTON, VA

BOULEVARD MALL
BUFFALO, NY

CANTON CENTRE
CANTON, OH

CHAPEL HILL MALL
AKRON, OH

CHARLESTON TOWN CENTER
CHARLESTON, WV

COURTLAND CENTER
FLINT, MI

THE GALLERIA AT SOUTH BAY
REDONDO BEACH, CA

GOLDEN GATE SHOPPING CENTER
CLEVELAND, OH

THE HALLE BUILDING
CLEVELAND, OH

LIBERTY CENTER
PITTSBURGH, PA

THE MALL OF VICTOR VALLEY
VICTORVILLE, CA

MANHATTAN TOWN CENTER
MANHATTAN, KS

METROTECH
BROOKLYN, NY

MILLENDER CENTER
DETROIT, MI

PALMDALE VILLAGE
PALMDALE, CA

PARMATOWN MALL AND PLAZA
CLEVELAND, OH

ROBINSON TOWN CENTRE AND PLAZA
PITTSBURGH, PA

ROLLING ACRES MALL
AKRON, OH

SHOREGATE SHOPPING CENTER
WILLOWICK, OH

SUMMIT PARK MALL
NIAGARA FALLS, NY

SUNSET GALLERIA (Opens 1991)
LAS VEGAS, NV

TOWER CITY CENTER (Opens 1990)
CLEVELAND, OH

THE TUCSON MALL
TUCSON, AZ

TUCSON PLACE SHOPPING CENTER
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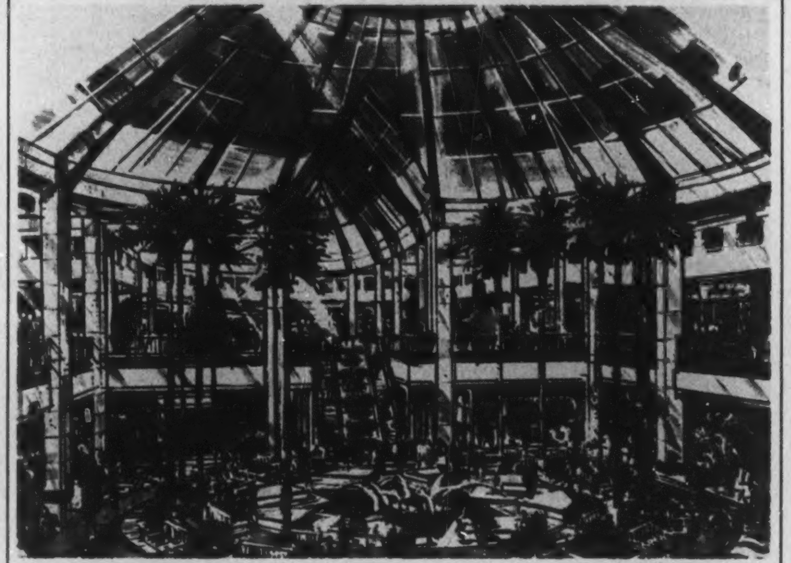

Austin's comeback includes construction of LakeLine Mall by Melvin Simon & Associates.

Neal Cukerbaum, vp-retail, Paragon Group, Dallas.

The more established developers in the region are breathing a sigh of relief. The entry of neophytes to the shopping center industry was a primary cause of the overbuilding that took place in the early 1980s. Many of the strip centers produced by these inexperienced developers, located in secondary or tertiary areas at best, remain nearly or completely empty today.

As for unsuccessful projects built by inexperienced developers, Cukerbaum expects some of them to be "low ceiling warehouses, but not shopping centers." Others show promise. Paragon is now trying to turn around a 225,000-sq.-ft. Plano center which houses just one tenant, a 1,200-sq.-ft. pizza parlor.

Austin Metropolitan Statistical Area

1989 retail sales: $5,452,773,000
1989 population: 772,727
1994 population: 884,474
1989 median household income: $26,666
1994 median household income: $32,630

San Antonio Metropolitan Statistical Area

1989 retail sales: $8,606,791,000
1989 population: 1,348,532
1994 population: 1,487,076
1989 median household income: $23,780
1994 median household income: $29,070

Source: Donnelley Marketing Information Services

Tenants looking to get into the more successful projects should find space now, Weitzman warns. With overall vacancy rates improving, rent concessions made during the "bad old days" are disappearing rapidly.

"Good locations are being absorbed now," Weitzman says.

Malls can be built: As in Houston, major developers building major malls are still able to get projects done. Chicago-based Homart Development has opened two centers in the last two years.

Phase 2 of the Parks at Arlington, between Dallas and Fort Worth, is under way for a fall opening. The 685,000-sq.-ft. center will add a 180,000-sq.-ft. Foley's and 55,000 sq. ft. of mall space. The center opened in spring 1988.

"Sales have gone well at Sears, Dillard's and Mervyn's. The whole center has done well," says Mark Friedlander, marketing manager for the southwest region.

Homart's newest center in the market is Vista Ridge Mall in Lewisville, 20 miles northwest of downtown Dallas. A joint venture with MGHerring Group, Dallas, and J. C. Penney, the center is anchored by Penney, Sears and Dillard's. Foley's will open in the spring. Phase 2 is scheduled for late 1991. ■

BUILDING DOWNTURN AHEAD?

1990 IS SHAPING UP AS A CAUTIONARY YEAR FOR SHOPPING CENTER CONSTRUCTION, SAYS SURVEY

Look for a small increase in shopping center construction this year, but watch out for 1991. A downtick in new project development next year is a distinct possibility.

These are the major conclusions of an exclusive *Chain Store Age Executive* survey that queried shopping center developers about their construction plans for 1990 and 1991.

The sober predictions come on the heels of what turned out to be a surprisingly busy year for developers. More than half (55%) of the developers responding to the survey reported an increase in GLA in 1989. Only 4% decreased square footage last year.

Developers of neighborhood centers reported the best year in 1989. Almost seven out of ten (68%) added leaseable area. Also reporting heavy building were suburban, mixed-use developers. Nearly two out of three (64%) said they increased GLA last year.

The news from those constructing specialty centers and regional malls was nearly as good. About half said they added to their portfolios in 1989. Downtown, mixed-use developers had a quieter year. Only 38% reported adding GLA.

But even these generally upbeat figures reveal a darker side. In a similar study a year ago, a heady 73% of developers told *Chain Store Age Executive* that they would add GLA in 1989. Actual performance, the survey reveals, came in considerably below those optimistic estimates.

Adding another cautionary note, the number of developers reporting GLA gains this year (55%) is slightly below totals (61%) reported in the year-ago study, suggesting that a downturn might already be in the works.

Measured by profits—and losses—1989 was a frightening one for some in the industry. Toronto-based Campeau's near-default on its bonds in September nearly single-handedly destroyed the larger market for junk bonds in a single day. LJ Hooker had declared bankruptcy only days before.

Developers in the survey nonethe-

16%
14%
Pacific

It was a busy year for developers. More than half experienced an increase in GLA in 1989. Only 4% decreased square footage last year. Developers of neighborhood centers reported the most activity. Almost seven out of ten added leaseable area. Also reporting heavy building were suburban, mixed-use developers. Nearly two out of three said they increased GLA last year. The news from those constructing specialty centers and regional malls was nearly as good. About half said they added to their portfolios in 1989. Fewer downtown mixed-use developers reported adding GLA.

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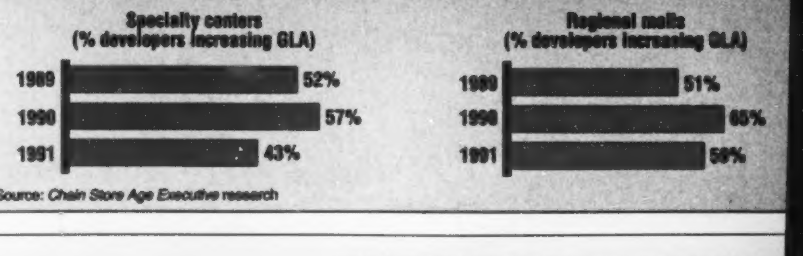
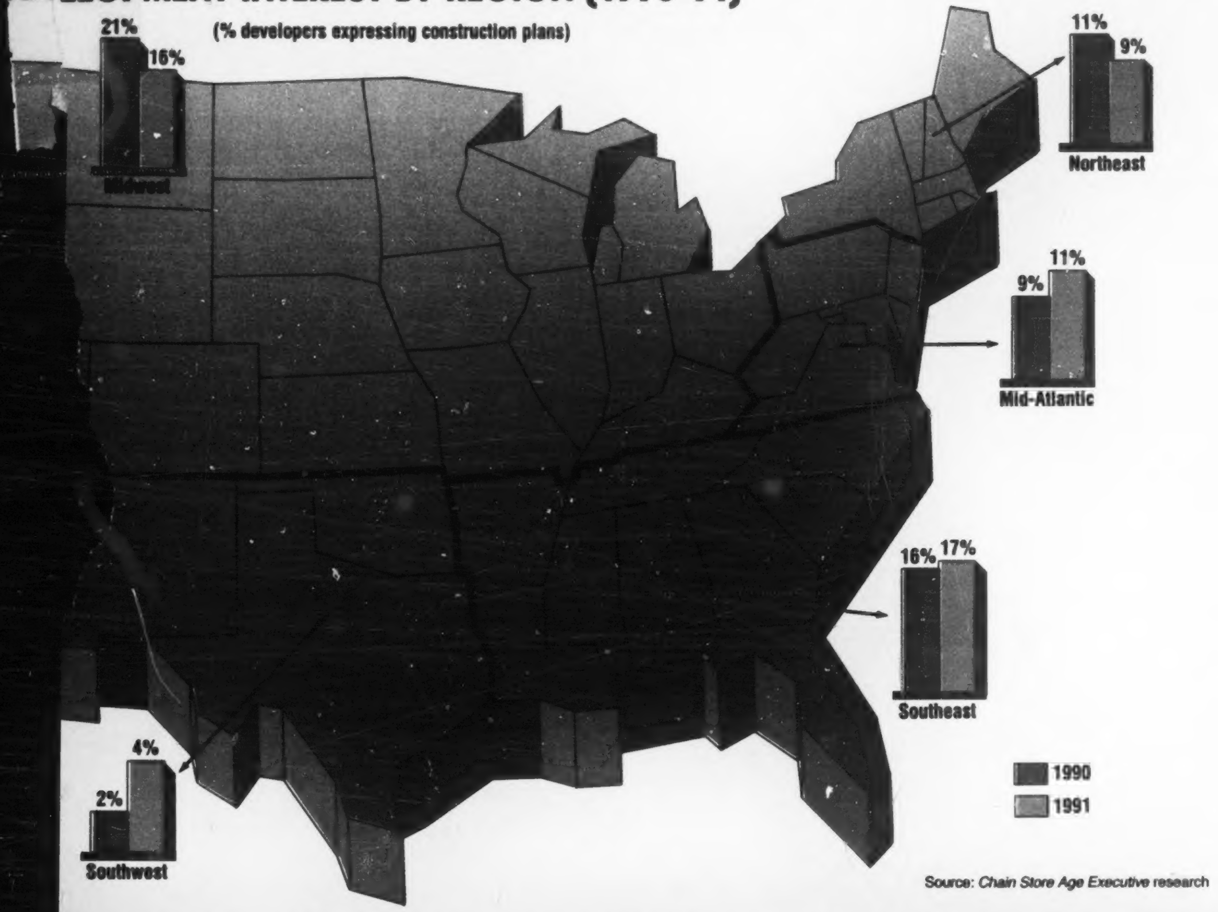


Source: *Chain Store Age Executive* research

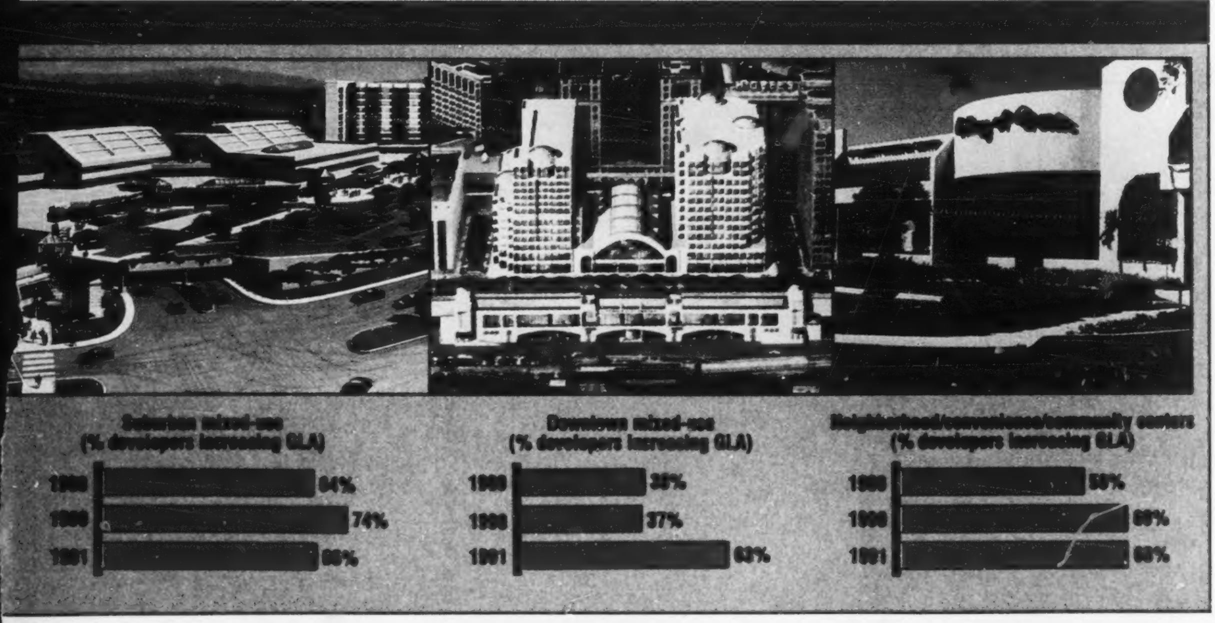
DEVELOPMENT INTEREST BY REGION (1990-91)

(% developers expressing construction plans)



21%
16%
Midwest
11%
9%
Northeast
9%
11%
Mid-Atlantic
16%
17%
Southeast
4%
2%
Southwest
1990
1991

Source: *Chain Store Age Executive* research



less remain positive—at least for this year. Two out of three (66%) say that they expect GLA to increase in 1990. A near equally bullish 62% report that GLA will gain in 1991.

Most optimistic are suburban, mixed-use center developers. Almost three out of four (74%) say they will add leaseable area in 1990.

Upbeat predictions cross every type of project. Sixty-nine percent of neighborhood center developers expect to add GLA this year, and so do 67% of those building regional malls.

But once again, a deeper examination reveals that even the most bullish developers are quietly reeling in just a bit of their optimism.

In the year-ago study, 73% of those questioned thought GLA would increase in 1990. This year's estimates are significantly more conservative.

The boom in the nation's center, however, will continue. More than one in five (21%) of those questioned in the survey point to the Midwest as where they will build this year.

There is good reason for the region's popularity. The Midwest is one of the few areas of the country that still offers the combination of a large, concentrated population and relatively little competition. Michigan, Minnesota and Wisconsin offer some of the best opportunities.

The Midwest recorded the most space built in the 1987, 1988 and 1989 surveys. Developers this year once again pick the nation's heartland as the area with the most opportunity.

Following in development plans this year are the Southeast (16%), Pacific (14%), Northeast (11%), Mid-Atlantic (9%) and Southwest (2%).

Supply, however, might finally meet demand in 1991. Only 16% of developers report that they will build in the Midwest next year.

The top choice for 1991 will be the Southeast, with 17% saying they expect projects there. Following will be the Midwest (16%), Pacific (16%),

METHODOLOGY

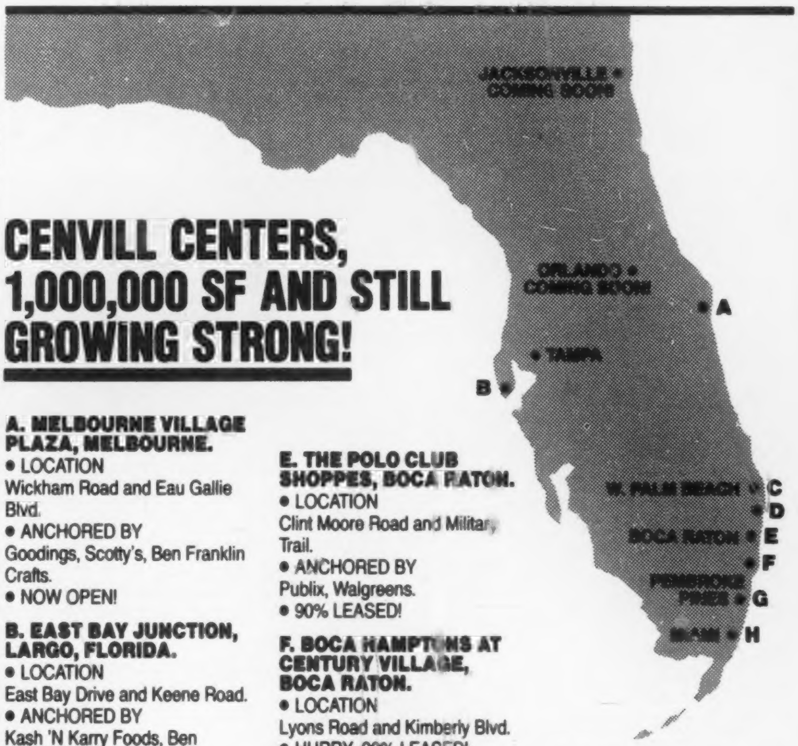
Chain Store Age Executive's annual construction survey asked developers to describe the size and scope of their construction activity in 1989. In addition, they were queried about their plans for the next two years.

More than 450 members of the International Council of Shopping Centers responded to a written questionnaire, which was mailed in early November. All respondents were promised complete confidentiality.

The great majority (68%) of developers answering the survey identify their primary area of involvement as neighborhood and community centers.

Following are developers concentrating on suburban mixed-use centers (12%) and regional malls (12%).

Specialty center developers (5%) and those involved with downtown mixed-use projects (3%) rounded out the list.



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- NOW OPEN!

C. WESTWARD PLAZA, WEST PALM BEACH.
- LOCATION
Okeechobee and Spencer Road.
- PROPOSED ANCHORS
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- NOW OPEN!

D. THE SHOPPES AT CRESTHAVEN, WEST PALM BEACH.
- LOCATION
Military Trail and Cresthaven Blvd.
- JOIN THESE FINE RETAILERS
XTRA, Eckerd, Sears, Subway, Perkins, Breslers, Walden Books, Ben Franklin Crafts.
- HURRY, 91% LEASED!

E. THE POLO CLUB SHOPPES, BOCA RATON.
- LOCATION
Clint Moore Road and Military Trail.
- ANCHORED BY
Publix, Walgreens.
- 90% LEASED!

F. BOCA HAMPTONS AT CENTURY VILLAGE, BOCA RATON.
- LOCATION
Lyons Road and Kimberly Blvd.
- HURRY, 90% LEASED!

G. FLAMINGO COMMONS, PEMBROKE PINES.
- LOCATION
S.W. 136th Ave., Pines Boulevard and I-75.
- PROPOSED ANCHORS
XTRA, Service Merchandise, Levitz Furniture, Eckerd Drugs.
- PROPOSED OPENING
1990.

H. ROYAL OAKS PLAZA, MIAMI.
- LOCATION
157th Ave., Palmetto Expwy.
- ANCHORED BY
Winn Dixie, Rite Aid.
- HURRY! 90% LEASED!

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Mid-Atlantic (11%), Northeast (9%) and Southwest (4%).

Expansion: Most of the space added to regional malls in 1990 will come from the expansion of existing space, says the survey. Slightly less than half (44%) new GLA at regional malls this year will be the result of expansion, rather than new building.

Despite dire warnings of overstoring, there still is some major regional mall construction due this year. Forty-one percent of added regional center GLA this year will come from new construction.

The Southeast is of the most interest to regional mall developers this year. Twenty-eight percent report that they will locate there in 1990. Following are the Northeast (26%), Midwest (18%), Pacific (10%), Mid-Atlantic (9%) and Southwest (9%).

Only 15% of the activity in regional malls will be the result of acquisitions, according to the survey. But developers might be too conservative in their estimates. The much publicized woes of some major developers could open some unexpected acquisition opportunities in 1990.

Looking toward 1991, regional mall developers are eyeing projects in the Southeast (29%), Mid-Atlantic (27%), Midwest (21%), Southwest (14%), Northeast (7%) and Pacific (6%) regions.

The biggest building boom, meanwhile, will come from neighborhood centers. Survey respondents report that 64% of GLA added in 1990 will come from newly constructed space.

Developers pick the Midwest as the area with the most opportunity

Only 14% of new, neighborhood center leaseable area will be the result of expansion of existing projects. Twenty-two percent of new space this year will come from acquisitions.

Specialty centers, such as auto care malls and home furnishings centers, will also experience a building uptick in 1990. According to the survey, 58% of GLA added to specialty projects this year will be new construction.

Twenty-two percent of new leaseable area at specialty centers will come from expansion of current space. Twenty percent, says the study, will be from acquisitions.

Construction will be the most active for mixed-use suburban projects, too. Survey respondents estimate that 55% of GLA added this year will be the result of new building, 28% from expansion and 17% from acquisitions.

The biggest transfer of existing space this year will result from acquisition of downtown mixed-use projects. Survey respondents predict that 52% of GLA added to downtown centers in 1990 will come from acquisitions. ■

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MIS BUDGETS: EDI UP, BAR CODING DOWN

RETAILERS EXPERIMENTING WITH NEW APPLICATIONS, SAYS SURVEY

Retailers' budgeted expenses for Electronic Data Interchange (EDI) implementation are on the rise, from 1.1% of total MIS expenses in 1988 to 2% in 1989.

On the other hand, retailers appear to be spending less on bar coding, which averaged 8.4% of MIS expenses a year ago vs. 5.5% in 1989. That decline, however, reflected a drop in spending by specialty and large retailers (annual sales over $500 million). Every other segment reported increases.

These are among the findings of the eighth annual survey of retail MIS expenses and trends conducted by the national retail group of Ernst & Young, a New York-based professional services firm.

The survey was based on interviews with 72 retailers representing discount, department, specialty and combination/grocery classes of trade. One quarter of the companies have 20 or fewer stores, close to one-third have between 21 and 100 outlets, another quarter have 101 to 500 stores, and 19% have more than 500.

The survey finds that mid-size companies (annual sales volume $100 million to $500 million) increased EDI spending from 1% in 1988 to 5% in 1989, while UPC bar coding outlays by this group grew from 3% in 1988 to 6% in 1989. Mass merchants more than doubled EDI-related spending from 1.5% of MIS expenses in 1988 to 3.3% in 1989; their UPC expenses climbed from 2.3% to 4.7%.

Overall, the survey finds that retailers are adapting technologies that have proven effective in other industries. The challenge has been deciding which to implement first. As a result, retailers are experimenting with a broad array of applications.

Bar coding, for example, is being tested by 31% of the surveyed retailers; Local Area Network (LAN) tests are under way at 25% of the companies, and EDI and on-line credit authorization are in test phase at roughly 1 in 5 of the firms.

Census results: *Chain Store Age Executive*'s latest retail technology census (August 1989) posted similar results. It found 16.3% of respondents were testing EDI, 26.5% had it in place, and 40.8% planned to use it within 18 months.

According to the Ernst & Young survey, larger companies are more likely to pilot test bar coding, EDI and LANs, while smaller companies (sales under $100 million) are experimenting with on-line credit card authorization. Fifteen percent of small retailers were also testing check-guarantee services, compared with none of the mid-size and 4% of the large companies.

By class of trade, mass merchants led in pilot tests for bar coding and LANs, with a 50% penetration. Ten percent of those retailers were testing Quick Response systems as well.

At department stores, EDI and Quick Response are being tested most often, 38% and 31% respectively. About 15% of these companies also reported pilot tests of voice/data integration, and 15% said they were testing POS data sharing.

Over a third of the surveyed retailers believe that EDI technology helped boost merchandise turns, a key to improved profitability. One quarter of all retailers cited a decrease in paper flow as a benefit. Improved inventory control was mentioned by only 14%.

About half of the companies not planning to implement EDI provided no reason for their decision. Of those which did, 13% considered the concept too "futuristic" and just as many said implementation costs were too high. Some large companies said they gave other technologies higher priorities.

Retail companies who have EDI in place said they use it to electronically order about 18% of their merchandise. The rate was highest for department stores, 25%, and lowest for specialty stores, 14%.

ANSI X.12 remains the predominant EDI format among retailers. It was used or planned for use by 36% of retailers polled. The exception was among combination/grocery retailers, who prefer the uniform communications standard (UCS) pioneered by their industry.

For the most part, the surveyed retailers were not interested in cashierless POS systems, in-store ATMs or interactive video retailing. Indeed, the less tangible the productivity gains for existing retail operations, the less likely these firms were to consider implementation. ■

EMERGING APPLICATIONS BEING PILOT TESTED

	Sales (in millions)			Type of store				All participants
	Under $100	$100-500	Over $500	Mass Merchant	Dept. Store	Specialty	Comb./ Grocery	
Bar coding	30%	24%	36%	50%	23%	26%	36%	31%
Local Area Network	15	14	40	50	15	21	27	25
EDI	5	10	36	20	38	13	27	21
On-line credit card authorization	30	5	16	10	15	21	9	17
Quick Response	—	14	8	10	31	5	—	10
Voice/Data integration	10	—	8	—	15	6	—	7
POS-Data sharing	—	10	4	—	15	5	9	7
Check guarantee services	15	—	4	—	8	5	9	6
Interactive video retailing	—	—	8	—	—	6	9	4
Executive information systems	—	—	—	—	—	3	—	1
In-store automated teller machines	5	—	—	—	—	3	—	1
Imaging	—	5	—	—	8	—	—	1

Source: Ernst & Young

FINANCE

SALES

	3rd qtr. (000 omitted)	% change	YTD (000 omitted)	% change
CATALOG STORE CHAINS				
J. C. Penney*	$4,061,000	+ 12.5	$10,840,000	+ 8.5
Sears, Roebuck & Co.*	7,591,800	+ 1.3	22,053,400	+ 6.4
DEPARTMENT STORES				
Carter Hawley Hale[4]*	624,635	+ 5.1	2,787,393	+ 6.5
Dillard	727,179	+ 20.0	1,954,448	+ 16.6
Gottschalks*	51,999	+ 14.0	143,377	+ 16.2
Jacobson's	91,316	+ 8.7	263,589	+ 11.7
May†*	2,276,000	+ 5.0	6,364,000	+ 9.5
Mercantile	554,686	+ 1.9	1,538,260	+ 2.6
Neiman Marcus Group[1]	399,058	+ 20.4	399,058	+ 20.4
Nordstrom	572,383	+ 17.8	1,813,631	+ 16.0
Strawbridge & Clothier	206,727	+ 0.5	599,428	+ 3.1
DISCOUNT STORES				
Ames*	1,196,830	+118.8	3,524,370	+121.4
Consolidated	135,883	− 7.7	400,522	− 2.5
Dayton Hudson	3,236,000	+ 12.8	9,159,000	+ 13.0
Dollar General	145,617	− 4.9	423,112	+ 0.04
Family Dollar[4]	201,979	+ 18.6	756.887	+ 13.1
Hills*	526,794	+ 18.8	1,355,727	+ 23.5
Jamesway	204,561	+ 7.2	567,587	+ 9.4
K mart	6,706,900	+ 5.5	19,781,200	+ 4.8
Fred Meyer	503,852	+ 7.9	1,611,596	+ 7.1
Pic 'N' Save	101,637	+ 21.2	297,515	+ 23.6
Rose's	345,321	+ 2.1	1,020,102	+ 2.7
Wal-Mart	6,330,845	+ 26.0	17,821,585	+ 25.5
SHOE/SPECIALTY CHAINS				
Brown Group†	472,670	+ 3.8	1,337,193	+ 7.5
Edison Bros.	263,500	+ 18.1	706,400	+ 19.0
Genesco	127,989	+ 9.0	352,512	+ 5.6
Melville	1,830,658	+ 12.7	5,035,025	+ 11.2
U.S. Shoe	645,593	+ 10.0	1,808,459	+ 9.0
Woolworth	2,165,000	+ 9.7	6,025,000	+ 8.7
APPAREL CHAINS				
Casual Male*	25,695	+ 25.5	71,627	+ 23.9
Charming Shoppes	192,542	+ 10.0	565,917	+ 12.3
Deb Shops	49,008	+ 8.7	137,670	+ 5.8
Designs	23,819	+ 31.5	51,061	+ 33.8
Gantos	59,383	+ 39.0	163,259	+ 43.5
The Gap	405,601	+ 25.7	1,041,465	+ 25.7
Paul Harris	56,199	+ 16.7	157,873	+ 24.0
The Limited	1,110,449	+ 9.9	3,065,350	+ 12.9
Merry-Go-Round	130,065	+ 62.7	294,304	+ 53.1
One Price Clothing*	20,281	+ 31.7	59,421	+ 41.8
Petrie	296,825	+ 3.5	869,654	+ 4.4
OFF-PRICE APPAREL				
Banker's Note	12,060	+ 32.7	31,183	+ 9.0
Burlington Coat Factory[1]	131,564	+ 20.0	131,564	+ 20.0
Clothestime*	48,846	+ 9.5	142,086	+ 13.0
Dress Barn[4]	65,637	+ 17.1	249,201	+ 21.6
Ross	176,692	+ 16.7	507,664	+ 18.0
S&K*	13,070	+ 16.3	38,776	+ 14.4
Syms*	65,896	+ 4.9	203,782	+ 5.8
TJX†	563,456	+ 8.0	1,530,095	+ 13.0
WAREHOUSE WHOLESALE CLUBS				
Bizmart[2]	29,173	+401.9	48,860	+578.4
Costco[4]*	1,047,042	+ 55.8	2,943,385	+ 48.0
Office Club	38,977	+162.5	99,342	+204.1
Office Depot*	83,421	+ 23.1	210,747	+153.0
Price[4]	1,212,000	+ 22.9	4,901,000	+ 20.9
Staples[2]*	49,439	+ 75.5	86,524	+ 81.3
Waban	513,480	+ 23.9	1,499,520	+ 27.4
Warehouse Club[4]*	62,146	+ 3.4	267,046	+ 7.2
Wholesale Club	134,937	+ 35.3	376,896	+ 39.7

EARNINGS

	3rd qtr. (000 omitted)	% change	YTD (000 omitted)	% change
CATALOG STORE CHAINS				
J.C. Penney*	$209,000	+ 30.6	$455,000	+ 22.3
Sears, Roebuck & Co.*	82,900	− 25.0	278,300	− 3.0
DEPARTMENT STORES				
Carter Hawley Hale[4]*	(7,300)	N/A	7,420	− 20.3
Dillard	24,240	+ 39.6	62,575	+ 29.9
Gottschalks*	(413)	N/A	(483)	N/A
Jacobson's	2,648	+ 14.3	4,093	+ 18.4
May†*	97,000	+ 18.3	232,000	+ 16.0
Mercantile	34,125	− 15.7	77,702	− 10.8
Neiman Marcus Group[1]	11,899	+ 19.8	11,899	+ 19.8
Nordstrom	21,968	+ 10.2	83,487	+ 10.1
Strawbridge & Clothier	2,239	− 37.9	5,532	− 12.5
DISCOUNT STORES				
Ames*	(1,900)	N/A	(22,636)	N/A
Consolidated	(1,339)	N/A	(2,402)	N/A
Dayton Hudson	64,000	+ 39.1	160,000	+ 52.3
Dollar General	2,759	+ 11.7	5,095	+ 24.6
Family Dollar[4]	3,613	− 30.0	21,517	− 21.3
Hills*	2,151	− 25.9	(24,452)	N/A
Jamesway	1,387	− 6.5	1,179	− 80.2
K mart	104,100	− 17.4	343,200	− 16.2
Fred Meyer	3,016	− 40.2	16,194	− 24.2
Pic n' Save	4,532	− 42.5	16,350	− 29.3
Rose's	235	− 94.3	1,838	− 81.4
Wal-Mart	232,702	+ 28.7	650,038	+ 26.5
SHOE/SPECIALTY CHAINS				
Brown Group†	9,486	− 25.4	20,221	− 30.3
Edison Bros.	15,800	+ 92.7	30,300	+194.2
Genesco	5,423	+ 25.4	10,896	+ 93.2
Melville	74,111	+ 11.7	159,967	+ 7.2
U.S. Shoe	19,775	+1442.5	33,389	N/A
Woolworth	70,000	+ 6.1	154,000	+ 6.9
APPAREL CHAINS				
Casual Male*	(2,201)	N/A	(4,458)	N/A
Charming Shoppes	(864)	N/A	(2,257)	N/A
Deb Shops	1,890	+ 1.9	7,777	+ 61.7
Designs	541	− 51.0	(1,471)	N/A
Gantos	2,414	+ 121.3	3,820	+177.2
The Gap	34,232	+ 28.8	63,423	+ 50.9
Paul Harris	298	N/A	(193)	N/A
The Limited	84,869	+ 20.5	193,839	+ 55.1
Merry-Go-Round	8,020	+ 91.6	11,235	+124.2
One Price Clothing*	492	− 34.1	2,487	+ 29.3
Petrie	2,076	− 65.9	12,623	− 22.2
OFF-PRICE APPAREL				
Banker's Note	23	− 73.3	307	− 51.2
Burlington Coat Factory[1]	(4,061)	N/A	(4,061)	N/A
Clothestime*	2,285	+ 261.0	4,693	N/A
Dress Barn[4]	5,276	+ 14.7	18,936	+ 19.6
Ross	4,198	+ 17.7	14,723	+ 48.3
S&K*	318	+ 30.0	1,153	+ 12.7
Syms*	2,846	− 1.8	9,470	− 4.7
TJX†	29,559	+ 26.3	61,571	+ 37.5
WAREHOUSE WHOLESALE CLUBS				
Bizmart[2]	(271)	N/A	(2,096)	N/A
Costco[4]*	11,967	+ 146.2	27,704	+139.0
Office Club	(2,113)	N/A	(2,945)	N/A
Office Depot*	1,623	+ 280.1	4,307	+389.4
Price[4]	31,400	+ 30.3	117,000	+ 23.4
Staples[2]*	970	N/A	1,018	N/A
Waban	6,271	+ 82.2	21,579	+ 67.0
Warehouse Club[4]*	(303)	N/A	331	N/A
Wholesale Club	347	− 49.0	1,389	− 17.3

N/A = not applicable because of loss in either current or comparable period
N/C = no change
*before extraordinary items or changes in accounting principles
†continuing operations only
[1] first quarter figures
[2] second quarter figures
[3] third quarter figures
[4] fourth quarter figures
Source: Company reports

FINANCE

SALES

	3rd qtr. (000 omitted)	% change	YTD (000 omitted)	% change
HARD LINES CHAINS				
Action Auto Stores[4]*	$ 29,505	+ 24.0	$ 104,666	+ 22.9
Best Buy[2]	118,304	+ 1.0	225,464	− 1.5
Blockbuster Ent.	106,401	+ 110.0	272,130	+ 139.4
Child World	157,338	+ 2.1	425,632	+ 6.8
Circuit City	471,591	+ 19.1	879,587	+ 21.5
Claire's	39,499	+ 30.8	111,827	+ 46.0
Fabri-Centers	85,930	+ 8.6	227,388	+ 13.4
Fretter*	51,900	− 2.8	153,200	− 3.8
Good Guys[4]	52,112	+ 37.1	195,015	+ 30.6
Highland Superstores	212,985	+ 3.8	607,995	+ 2.2
House of Fabrics	92,511	+ 2.5	253,310	+ 6.8
Lechters	35,887	+ 28.9	93,694	+ 31.3
Lionel	73,542	+ 2.1	202,281	+ 7.3
Pier 1 Imports[2]	134,855	+ 25.1	248,785	+ 21.4
Tandy[1]	985,977	+ 5.2	985,977	+ 5.2
Toys "R" Us*	916,189	+ 17.9	2,459,349	+ 16.5
Trak Auto	72,969	+ 13.6	201,660	+ 11.8
Trans World Music	66,858	+ 13.1	194,391	+ 17.8
Williams-Sonoma	51,386	+ 20.0	134,710	+ 22.5
SUPERMARKETS				
A&P[2]	2,590,149	+ 11.3	6,029,740	+ 13.1
Albertson's	1,843,646	+ 10.5	5,482,592	+ 12.3
American	5,269,984	+ 6.6	15,861,998	+ 21.2
Bruno's[1]*	531,174	+ 13.7	531,174	+ 13.7
Delchamps[1]	234,703	+ 5.8	234,703	+ 5.8
Food Lion	1,106,286	+ 22.2	3,186,574	+ 24.8
Giant Food	734,997	+ 7.2	2,192,302	+ 8.5
Hannaford Bros.*	394,367	+ 19.8	1,115,519	+ 22.9
Kroger*	5,533,949	− 0.9	14,450,621	+ 10.0
Penn Traffic	693,692	+ 70.0	1,912,045	+ 156.6
Smith's Food & Drug	432,457	+ 19.9	1,253,543	+ 25.7
Vons*	1,598,400	+ 29.5	3,976,600	+ 45.1
Weis Markets	305,090	+ 4.9	915,301	+ 6.2
Winn-Dixie[1]	2,169,619	+ 6.9	2,169,619	+ 6.9
CONVENIENCE STORES				
Casey's General Store[2]	127,800	+ 20.0	261,500	+ 22.4
Circle K[1]	1,018,923	+ 24.9	1,018,923	+ 24.9
Dairy Mart*	186,844	+ 3.0	555,037	+ 23.6
National Convenience[1]	285,592	+ 3.7	285,592	+ 3.7
Uni-Marts[4]	60,398	+ 65.0	217,625	+ 59.1
DRUG STORES				
Arbor[4]	78,015	+ 22.1	300,198	+ 21.8
Big B*	89,876	+ 48.4	285,050	+ 51.4
Block Drug[2]	110,699	+ 4.5	215,948	+ 4.5
Drug Emporium[2]	119,664	+ 21.2	233,608	+ 20.5
Fay's	141,490	+ 11.2	412,376	+ 9.5
Genovese	90,217	+ 12.5	294,688	+ 13.9
Longs[2]	503,365	+ 8.3	996,180	+ 8.9
Rite Aid[2]	768,892	+ 13.6	1,523,480	+ 12.5
Walgreen[4]*	1,341,069	+ 11.6	5,380,133	+ 10.2
HOME CENTERS				
Grossman's*	306,169	− 4.9	869,601	+ 1.6
Hechinger	306,920	+ 22.5	918,657	+ 18.8
Home Depot	699,740	+ 37.2	2,045,286	+ 38.7
Lowe's	746,196	+ 5.9	1,348,328	+ 4.1
Wolohan Lumber	78,365	+ 5.0	207,217	+ 7.1
NON-STORE RETAILERS				
CVN[4]†	171,910	+ 35.4	682,727	+ 25.3
Family Shopping Network[2]	5,883	+ 24.5	7,266	+ 23.8
Home Shopping Network[4]*	187,400	+ 11.5	774,300	+ 6.1
Lands' End	131,600	+ 31.1	343,900	+ 28.7
QVC Network	62,851	+ 24.9	170,256	+ 35.5
Spiegel	372,127	+ 10.6	1,023,420	+ 21.6
Lillian Vernon	26,686	+ 35.6	56,149	+ 23.2

EARNINGS

	3rd qtr. (000 omitted)	% change	YTD (000 omitted)	% change
HARD LINES CHAINS				
Action Auto Stores[4]*	$ 262	N/A	$ 1,172	N/A
Best Buy[2]	550	− 49.9	(697)	N/A
Blockbuster Ent.	13,084	+ 116.6	28,527	+ 135.7
Child World	(4,114)	N/A	(14,393)	N/A
Circuit City	16,852	+ 1.3	27,587	+ 7.8
Claire's	3,431	+ 233.8	7,731	N/A
Fabri-Centers	2,785	+ 8.4	2,058	+ 94.0
Fretter*	885	− 26.3	1,700	+ 54.5
Good Guys[4]	902	+ 115.8	3,966	+ 19.9
Highland Superstores	1,560	+ 72.9	(9,624)	N/A
House of Fabrics	4,296	+ 2.8	5,516	− 16.9
Lechters	1,526	+ 47.2	1,882	+ 22.6
Lionel	(5,416)	N/A	(12,504)	N/A
Pier 1 Imports[2]	7,290	+ 0.4	14,013	+ 10.9
Tandy[1]	62,754	− 3.3	62,754	− 3.3
Toys "R" Us*	28,690	+ 20.6	79,321	+ 14.3
Trak Auto	491	− 39.0	1,629	− 39.9
Trans World Music	1,878	− 17.6	3,206	− 39.3
Williams-Sonoma	1,389	+ 54.5	1,742	+ 144.3
SUPERMARKETS				
A&P[2]	35,630	+ 21.0	81,020	+ 20.0
Albertson's	46,255	+ 21.3	136,271	+ 23.1
American	18,847	− 20.5	65,002	− 17.7
Bruno's[1]*	12,806	+ 23.2	12,806	+ 23.2
Delchamps[1]	2,963	+ 6.9	2,963	+ 6.9
Food Lion	32,269	+ 12.5	92,961	+ 18.8
Giant Food	20,905	− 22.3	69,617	+ 11.8
Hannaford Bros.*	10,278	+ 27.0	29,569	+ 33.3
Kroger*	(4,024)	N/A	(21,581)	N/A
Penn Traffic	(6,968)	N/A	(22,252)	N/A
Smith's Food & Drug	7,217	+ 59.8	18,850	+ 45.1
Vons*	(5,900)	N/A	(28,100)	N/A
Weis Markets	21,289	+ 4.3	62,345	+ 5.0
Winn-Dixie[1]	25,052	+ 24.0	25,052	+ 24.0
CONVENIENCE STORES				
Casey's General Store[2]	3,400	+ 6.3	5,800	− 10.8
Circle K[1]	7,608	− 38.6	7,608	− 38.6
Dairy Mart*	29	− 97.7	1,139	− 74.9
National Convenience[1]	7,394	+ 453.0	7,394	+ 453.0
Uni-Marts[4]	1,122	+ 35.0	2,851	− 0.1
DRUG STORES				
Arbor[4]	2,474	+ 43.2	9,168	+ 37.7
Big B*	(584)	N/A	2,895	− 34.9
Block Drug[2]	11,275	+ 4.7	22,535	+ 4.7
Drug Emporium[2]	2,372	+ 29.3	4,130	+ 30.7
Fay's	2,475	+ 19.0	6,848	+ 31.0
Genovese	599	− 8.8	2,115	− 28.2
Longs[2]	15,248	+ 8.8	29,680	+ 8.8
Rite Aid[2]	20,268	+ 7.0	44,637	+ 4.9
Walgreen[4]*	39,827	+ 24.7	160,356	+ 24.2
HOME CENTERS				
Grossman's*	13,110	+ 30.4	16,319	+ 29.0
Hechinger	5,404	− 55.3	25,704	− 28.5
Home Depot	25,640	+ 49.9	82,369	+ 42.3
Lowe's	29,928	+ 13.2	44,514	+ 7.2
Wolohan Lumber	3,746	+ 1.0	8,653	+ 3.6
NON-STORE RETAILERS				
CVN[4]†	7,439	N/A	27,236	+ 106.9
Family Shopping Network[2]	132	+ 2.3	260	+ 8.3
Home Shopping Network[4]*	(26,200)	N/A	(22,000)	N/A
Lands' End	5,600	+ 1.8	12,500	− 22.8
QVC Network	990	− 67.1	2,985	− 37.3
Spiegel	10,786	+ 64.6	23,792	+ 46.8
Lillian Vernon	541	N/A	1,831	+ 623.7

N/A = not applicable because of loss in either current or comparable period
N/C = no change
*before extraordinary items or changes in accounting principles
†continuing operations only
[1] first quarter figures
[2] second quarter figures
[3] third quarter figures
[4] fourth quarter figures
Source: Company reports

TOP STORES POST WEAK NOVEMBER SALES

APPAREL GAINS OFFSET BY SLUGGISH HARD GOODS MOVEMENT

Many of the nation's biggest retailers reported sluggish sales for November. However, some reported that selling momentum picked up late in the month, especially over the Thanksgiving weekend.

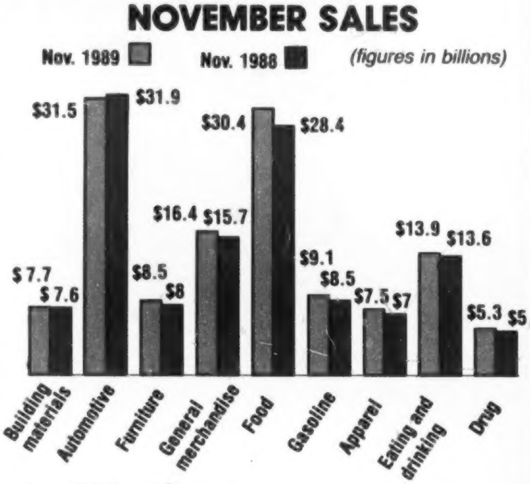
Strong apparel sales were offset by weakness in hard goods at many stores, although U.S. Department of Commerce figures show a significant rise in general merchandise sales overall.

Particularly hard hit was Sears, the world's largest retailer. Sears' sales fell 1.3% below year-ago results.

This suggests serious trouble for the chain's nine-month-old "everyday low price" strategy. Sears attributes its disappointing November to soft sales of big-ticket home fashions and home improvement products.

K mart, the second largest retailer, said sales rose 7.2% while its same-store sales grew 3.9%. Wal-Mart, the No. 3 retailer, reported a 27% increase in November sales. Its same-store sales rose 12%.

The month's results compare with weak year-earlier figures at many companies.



Source: U.S. Dept. of Commerce

CHAIN PERFORMANCE

Company	November '89 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,959,854	−1.3	+0.4	$26,712,133	+4.0	+2.6
K mart	2,421,201	+7.2	+3.9	22,201,771	+5.0	+1.6
Wal-Mart	2,638,000	+26.6	+10.0	20,341,000	+25.5	+11.0
Penney	1,561,000	+8.9	+6.1	12,401,000	+8.3	+6.9
Dayton Hudson	1,130,000	+8.7	+1.7	9,650,000	+13.8	+6.3
May	867,700	+6.6	+3.7	7,155,400	+13.5	+5.8
Woolworth	411,000	+12.8	+9.8	3,963,000	+9.2	+4.8
Melville	674,741	+10.6	+2.5	6,273,367	+12.1	+4.5
Walgreen	488,517	+15.2	+11.3	4,927,198	+11.9	+10.7
Ward	530,518	−2.1	N/R	3,868,210	+3.2	N/R
The Limited	410,000	+13.5	+9.0	3,480,000	+13.0	+18.0
Ames	479,000	−2.8	+7.3	4,004,000	+86.5	+4.1
Carter Hawley Hale	261,500	+4.7	+4.1	2,112,800	+5.8	+5.4
Mercantile	225,505	+1.0	+0.3	1,761,002	+2.5	+1.8
Circuit City	211,100	+23.0	+1.0	N/R	N/R	N/R
Hills	229,152	+15.9	+0.9	1,583,796	+22.5	+1.1
Rose's	190,000	+11.4	+6.3	1,210,359	+3.9	-1.3
The Gap	143,000	+20.2	+10.0	1,184,000	+25.0	+15.0
Neiman-Marcus Group	151,100	+15.4	+12.1	N/R	N/R	N/R
Jamesway	86,932	+3.8	+1.0	654,519	+8.6	+2.0
Ross	66,000	+11.9	+1.0	573,000	+17.2	+9.0
Dollar General	74,600	+6.3	+2.9	488,200	N/C	N/C
Best Buy	54,000	+12.0	+4.0	320,000	+2.0	N/R
Gottschalks	24,045	+24.3	+10.0	167,621	+17.4	+6.5
Claire's	17,010	+46.0	+17.0	128,830	+46.0	+27.0

N/R = not reported   N/C = no change   Source: Company reports

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with Shopping Center Age

The newsmagazine for retail management

February 1990

SPECS 26th ANNUAL CONFERENCE

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.50 A YEAR (USA)

Classic looks define contest winners

NEW STORES OF THE YEAR

EXECUTIVE Vol. 66, No. 2/February 1990

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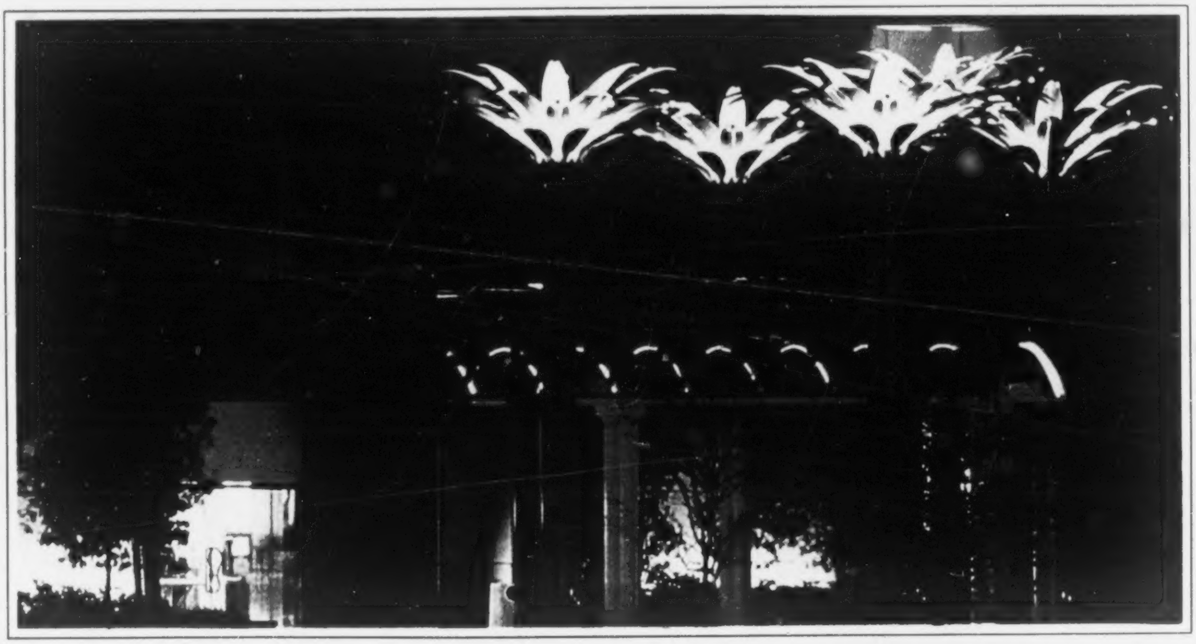

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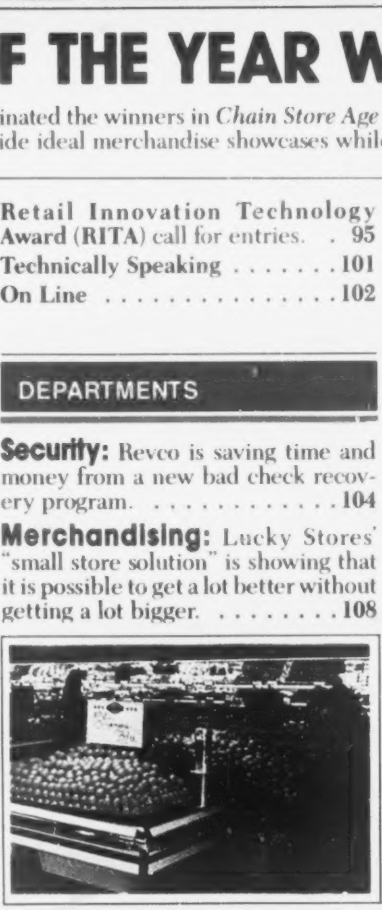

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ATLANTA GROWTH: BEHIND THE 8-BALL

DEVELOPERS SEARCH FOR POCKETS THAT NEED RETAIL PROJECTS

Building retail in Atlanta is a bit like shooting pool—there are only so many pockets for the balls to go into. In some respects, the market is overbuilt. Troubled anchors are abandoning the city. Yet developers are searching for areas that still need building.

"There really hasn't been a lot of new development in the last two or three years," says Daniel M. DuPree, chairman and president of New Market Development, Atlanta. "However, there are pockets where development really is needed."

The firm has completed Kings Market and Gwinnett Marketfair in the city. Kings Market measures 300,000 sq. ft. and is anchored by Big Star, Marshalls, Lionel Playworld and Home Depot. The 188,000-sq.-ft. Gwinnett Marketfair is anchored by Marshalls, T. J. Maxx and an A&P FutureStore.

Plans are under way for another center in the Kings Market area, north of the city on Holcomb Bridge Road at the Georgia 400 Interchange. The unnamed center will total 260,000 sq. ft. and will be comparable to Gwinnett Marketfair, DuPree says.

The "power center" orientation of New Market's projects may be filling one of the few voids left in the market, according to David Birnbrey of the Shopping Center Group, Atlanta. "For a large city, we have an underabundance of power strip centers," Birnbrey says.

Projects on hold: Plans for several malls have been announced, but have been delayed, he adds. Department store industry woes have slowed development of the few remaining possibilities for regional retail south of the city. For now, Atlanta is very much in a consolidation mode, particularly in terms of small store space.

"The city is accustomed to a growth rate of 8%-10%. Now that rate is about 3%-4%," observes Morris Ewing, president of locally-based Ewing Southeast Realty. The vacancy rate for specialty space is running at an "extraordinarily high" 13%, Ewing adds.

Other real estate professionals report that the situation is even worse than that. Some specialty tenants are not paying rent, adding further to developers' woes, says Noah Long, president of the Trion Group, Atlanta. "Real rent rates in Atlanta declined because there was too much product available. We've seen percentage-only rents, 4-6 months free rent," Long says.

"There are only so many beauty shops and dry cleaners that can operate profitably," observes Charles Lotz, president, FMI Retail Group, Atlanta.

HAHN
FLORSHE

Traffic counts are up at the 'new' 1.2 million-sq.-ft. Cumberland Mall.

The departure of anchors such as Branden's, Lechmere and Zayre, and the slowdown of Kroger's expansion since its LBO, adds further to an already slow growth pattern.

Georgia Metropolitan Statistical Area

1988 retail sales: **$67,222,199,000**
1989 population: **6,384,234 (estimated)**
1994 population: **6,965,833 (projected)**
1989 median household income: **$26,471 (estimated)**
1994 median household income: **$33,407 (projected)**
Source: Donnelley Marketing Information Services

The loss of those anchors, however, may be a blessing in disguise. It frees space for new tenants. Phar-Mor, one of the few new retailers in the market, has taken some of the abandoned shells. So, too, has Marshalls. New building is hampered, however, because of a tight lending environment and growing difficulties in zoning.

"Zoning is an immense problem. It's getting more difficult to get projects done," observes Larry Kraxberger, president of the Oxford Group, Atlanta.

Despite its slowdown, Atlanta should remain attractive to both retailers and developers.

"Atlanta is unique to the Southeast. It is a strong test market, a very competitive market, and one with extremely sophisticated consumers," he says.

Kraxberger is proceeding with three projects, including a neighborhood/community center, larger regional strip in Lanier, and the Providence Square power center in East Cobb. Anchored by Uptons, Phar-Mor and Home Depot, the 240,000-sq.-ft. Providence Square will open

Atlanta Metropolitan Statistical Area

1988 retail sales: $33,824,782,000
1989 population: 2,767,010 (estimated)
1994 population: 3,157,809 (projected)
1989 median household income: $33,392 (estimated)
1994 median household income: $42,761 (projected)
Source: Donnelley Marketing Information Services

Columbus Metropolitan Statistical Area

1988 retail sales: $2,322,352,000
1989 population: 247,565 (estimated)
1994 population: $20,943 (projected)
1989 median household income: $20,943 (estimated)
1994 median household income: $25,266 (projected)
Source: Donnelley Marketing Information Services

***Marshalls is one** of three anchors at 188,000-sq.-ft. Gwinnett Marketfair.*

in March.

As with other markets, rebuilding existing centers will be a growing concentration. The 1.2 million-sq.-ft. Cumberland Mall recently completed a $4.5 million renovation.

Built in 1973, the Carter & Associates center was in need of updating, says Sara Holmes, the mall's marketing director. The mall's look has been upgraded with marble flooring and brass handrails, among other cosmetic changes. "We've also rebuilt the fountain and added lighting. We didn't have an open center court. Now we do," she says.

New tenants such as Georgio, Units and Crabtree & Evelyn have joined the "new" Cumberland Mall. The renovation, completed in November, has been very successful, Holmes says. "It's too early for sales reports, but we've seen double digit increases in traffic counts."

The recent rebuilding of Columbia, Md.-based Rouse's Underground Atlanta appears a success, too. The downtown complex had a distinct challenge: to change the habits of Atlanta commuters who rush home to the suburbs right after work.

They are being helped by a growing rapid transit system, Lotz says. "It is now much easier to travel to downtown, an area that had been forgotten about. There is much more office space projected for downtown, also." This will result in new opportunities for in-fill projects, particularly for Cobb and Gwinnett counties.

FMI will open New Chastain Corners at Chastain Road and Canton Highway in Cobb County. The 113,000-sq.-ft. center will be anchored by Kroger, debuting in March.

Opening in phases through February is FMI's Towne Center Village at Barrett Parkway, also in Cobb County. The 187,000-sq.-ft. center has a strong home furnishings bent, anchored by Pier 1 and Haverty's Furniture, in addition to Drug Emporium.

Right now, these new centers are the exception, not the rule. Despite a few new opportunities, Long advises against a good deal of specialty space in strips.

"Let's take a little rest and lease up what we've got," Long says. ■

GEORGIA MARKET: MALLS SPRING UP OUTSIDE OF ATLANTA

Developers looking to build a regional mall have to look outside of Atlanta. Johnstown, Pa.-based George Zamias Developers is building two projects in Georgia, but far from its capital.

Opening this September is The Galleria in Warner Robins/Centerville, south of Macon. The 600,000-sq.-ft. center will feature Sears, J. C. Penney, Belk, Phar-Mor, Brendle's Catalog Store and an unnamed department store.

Zamias also plans to build a 550,000-sq.-ft. Galleria in Columbus, scheduled to open in 1991.

The centers form Zamias' initial entries in Georgia retail, says Samuel Zamias, senior vp-leasing. "We have quite a number of plans for Georgia," he explains.

Savannah is seeing some growth, including a regional mall to open this summer, built by Owensboro, Ky.-based David Hocker & Associates and R. F. Coffin Enterprises, Cleveland.

The new retail is sorely needed, says Larry Kraxberger, president of the Oxford Group, Atlanta. Oxford developed the 270,000-sq.-ft. Savannah Centre, located two miles from Oglethorpe Mall.

SAVANNAH'S SECRET IS OUT

AREA PROVES FERTILE GROUND FOR NEW MALL

It seems as though the magic number for the forthcoming Savannah (Ga.) Mall is $500 million. Its trade area is home to 174 manufacturing companies with a $500 million payroll. An additional $500 million payroll comes from a nearby military installation. And its five million tourists and conventioneers spend still another half-billion dollars yearly.

Yet all that money can be spent in only one regional mall.

"Savannah may have been a well-kept secret," says Gayle Jacobi, director of administration for David Hocker & Associates, Owensboro, Ky. Savannah Mall is a joint venture between Hocker and R. F. Coffin Enterprises, Cleveland.

The 960,000-sq.-ft. mall, located at the intersection of Shawnee Street and Rio Road, near I-95, will open in August. It eventually will be anchored by five department stores, including J. B. White and Belk. They will be joined by 200 specialty shops, a 10-vendor food court and restaurants.

Jacobi cites the city's excellent convention services as one reason for building the center. Another reason is the area's increasing affluence.

"The military base there [Fort Stewart Military Reservation] has a half-billion-dollar payroll, and Savannah has a diverse economy not based on any one element," Jacobi says.

The center's primary market features a 1989 population of 262,900 with a per capita income of $12,291, according to the developer. The area's sales potential comes to $391,635,000. By 1995, the population should grow to 274,600, with an income of $12,602. The sales potential will increase to $425,166,000.

What Savannah's citizens and visitors have lacked is a choice of where to shop, particularly for upscale goods. Hocker estimates that the area is losing $150 million in retail sales, as customers shop in Atlanta, Macon and Augusta.

Stopping that leakage is a main goal of Savannah Mall. Tenants already signed include Abercrombie & Fitch, Brentano's, Claire's, Foot Locker, The Limited and The Gap.

The center should be easy for shop-

Savannah Metropolitan Statistical Area

1988 retail sales: $2,565,383,000
1989 population: 245,811 (estimated)
1994 population: 260,753 (projected)
1989 median household income: $23,826 (estimated)
1994 median household income: $29,549 (projected)

Source: Donnelley Marketing Information Services

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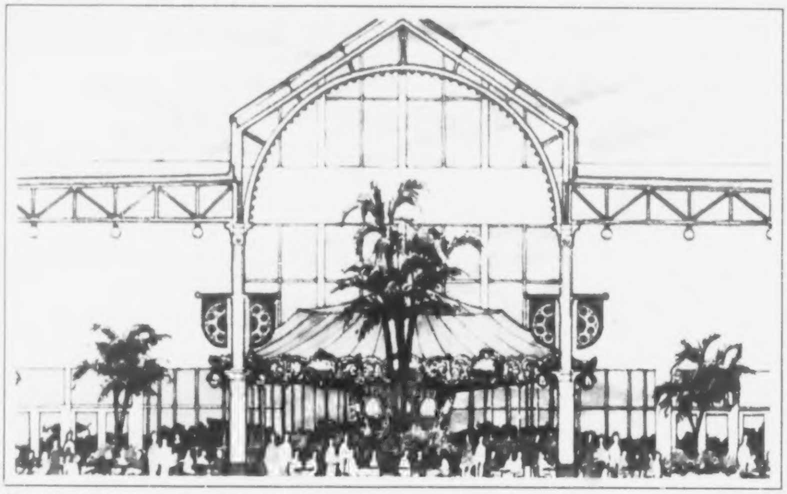


The 960,000-sq.-ft. Savannah Mall has plans for an August opening.

pers to reach. The highways around the mall are being improved as part of a multi-year program that began in 1985.

"The highway improvements were already planned, and produce wonderful access to the site. They made the deal," Jacobi says.

Old/new mix: The design, by Birmingham, Ala.-based architects Crawford McWilliams Hatcher, "is a mixture of historic and new Savannah," Jacobi says.

The exterior of two-level mall will be salmon-colored brick and stucco, embellished with wrought iron. The oyster shell and cement sidewalk is reminiscent of Savannah's Old Port district.

The colors inside the mall will echo historic Savannah, utilizing a mossy green and salmon, with iron railings. Center court will feature a clock tower. The second level will feature a carousel, as well as the food court. Ice cream and cookie vendors will be found on the lower level. Parking, on one level outdoors, will accommodate 4,000 cars.

Construction began in March 1989, and could well have been delayed by Hurricane Hugo. The area also experienced heavy rains. Luckily, Jacobi says, the bad weather had no lasting effect on the building.

"We were a little concerned at one point, but construction is on schedule for our August opening," she notes.

That's not the end of the development. Eventually, Hocker will build Savannah Place, a 190,000-sq.-ft. strip center adjacent to the mall. No construction timetable has been set. ■

SITE-SEEING ON LONG ISLAND

OPPORTUNITIES STILL EXIST IN NEW YORK MARKET

America is over-stored and overmalled, right? Maybe not. Contrary to popular belief, there are still markets that need new malls. Some of the remaining opportunities look surprisingly lucrative. Perhaps the biggest is Long Island, N.Y.

"There are 2.9 million people on Long Island, yet there are only seven regional malls," says Wilbur F. Breslin, president of Breslin Realty Development, Garden City, N.Y. "So if you come across a site of any size, it's conducive to building."

Breslin plans two centers on Long Island. The 1.6-million-sq.-ft. Brookhaven Town Center in Yaphank, N.Y., will have six department stores. The center, to be located at the intersection of the Long Island Expressway and the William Floyd Parkway, is scheduled for a 1992 debut.

Opening in 1993 is Breslin's Fairchild Plaza, with 1.2 million sq. ft., including five department stores. The center will be located on the Nassau/Suffolk county border.

"Development potential for the 1990s is not as limited as some projec-

TRENCH WARFARE IN THE CREDIT DEPARTMENT

CARD SHARING CAN LEAD TO GUERILLA MARKETING

Pre-emptive strikes have long been a part of the retail war scene. K mart's rapid expansion in the '60s and '70s came under the banner of taking the high ground before its competitors even knew a revolution in retailing was occurring.

And countless millions of dollars have been spent to refurbish tired-looking stores and customer service programs in anticipation of an invasion by a high-flying market newcomer. Witness the flurry of activity in markets targeted by Nordstrom.

Today's trench warfare is not confined to the bricks and mortar of stores. Guerilla raids can be plotted in the confines of a retailer's credit department. Consider these points compiled by Impact Resources of Columbus, Ohio, a market research firm:

- Consumers who use bank cards or retailer-issued credit cards typically have a number of different cards of all types.
- When compared to the average consumer, users of private label cards typically are more loyal to these retailers and often name those merchants as their first choice department stores.

Users of private label cards are more loyal to these retailers

For example, 34% of New York customers who use a Bloomingdale's card named Bloomie's as their first-choice department store, compared to 3.9% of all consumers in the New York area.

Because consumers often carry plastic from more than one retailer, card-issuing merchants have the ability to snare shoppers from their competitors' customer bases. But the ability is not comparable for all parties.

A look at New York retailers illustrates the point. Seventy percent of New York consumers who say they use a Bloomingdale's card also use a Macy's card. However, only 12.5% who use a Macy's card also use a Bloomie's charge.

Thus, Bloomingdale's can more easily recruit crossover customers than Macy's can by exploiting its credit card file through special mailings and bill-stuffer promotions. In four markets—New York, Boston, Dallas and West Palm Beach—Impact Resources found that the Sears charge card generally has higher penetration than the J. C. Penney card.

*Impact Resources of Columbus, Ohio, is a consumer information company that provides media and retail businesses in-depth local consumer information. The basis of the company's product is a research methodology called MA*RT, an acronym for Market Audience-Readership Traffic.*

New York

Retail card used	Other retail cards consumers use				
	Macy's	Bloomingdale's	Lord & Taylor	Sears	Penney
Macy's	—	12.5%	9.3%	33.3%	22.2%
Bloomingdales	69.9*	—	26.8	15.0	6.9
Lord & Taylor	68.1	33.1	—	24.1	11.8

* Read as: 69.9% of New York area consumers age 14+ who said they use a Bloomingdale's charge card also use a credit card issued by Macy's.

Source: Impact Resources

Boston

Retail card used	Other retail cards consumers use				
	Macy's	Bloomingdale's	Lord & Taylor	Sears	Penney
Macy's	—	19.6%	17.0%	34.5%	30.1%
Bloomingdale's	7.9*	—	31.5	31.5	3.7
Lord & Taylor	2.6	11.8	—	36.0	4.5

*Read as: 7.9% of Boston consumers age 14+ who said they use a Bloomingdale's card also use a credit card issued by Macy's.

Source: Impact Resources

Dallas

Retail card used	Other retail cards consumers use				
	Macy's	Bloomingdale's	Lord & Taylor	Sears	Penney
Macy's	—	11.9%	20.2%	30.4%	28.1%
Bloomingdale's	38.2*	—	22.3	36.8	23.4
Lord & Taylor	33.3	11.4	—	27.8	32.1

*Read as: 38.2% of Dallas consumers age 14+ who said they use a Bloomingdale's charge card also use a credit card issued by Macy's.

Source: Impact Resources

West Palm Beach

Retail card used	Other retail cards consumers use				
	Macy's	Bloomingdale's	Lord & Taylor	Sears	Penney
Macy's	—	14.4%	24.0%	38.9%	27.6%
Bloomingdale's	33.1*	—	47.3	28.8	20.7
Lord & Taylor	23.6	20.4	—	38.1	31.7

*Read as: 33.1% of West Palm Beach consumers age 14+ who said they use a Bloomingdale's charge card also use a credit card issued by Macy's.

Source: Impact Resources

RETAILERS POST RESPECTABLE DECEMBER SALES

TARGET, MERVYN'S BUOY DAYTON HUDSON; SEARS STILL SLUGGISH

The nation's top retailers had a moderately merry Christmas this December, which is by far the busiest month of the year. Most of them posted sales gains that were, at the minimum, respectable.

Dayton Hudson, buoyed by results at its Target and Mervyn's divisions, showed one of the best performances with a 14.8% total sales gain and a 7.3% same-store increase.

J. C. Penney, May Department Stores and The Gap were among other chains turning in solid performances.

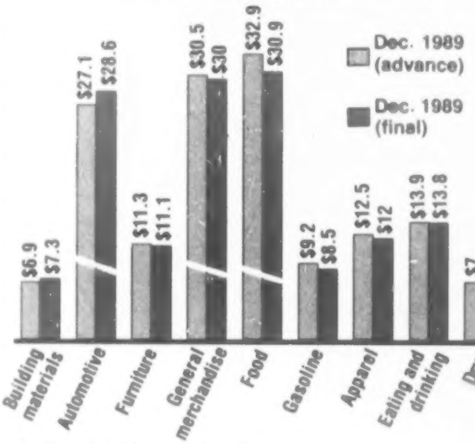
The nation's largest retailer, Sears, continued to post disappointing results, with a 1.6% same-store gain.

A notable Christmas barometer, Toys "R" Us (not listed below) posted a 22.7% increase for the eight-week Christmas season, to $2.02 billion, with a same-store gain of 10%. The chain says sales were led by Nintendo video game software, Batman items and the ever-popular Barbie doll.

Widespread discounting—which makes the profit picture uncertain—caused this Christmas to be even more promotional than last Christmas, when markdowns were also pervasive, analysts say.

DECEMBER SALES

(Seasonally adjusted, figures in billions)



Source: U.S. Department of Commerce

CHAIN PERFORMANCE

Company	December '89 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$4,695,619	+3.6	+1.6	$31,407,752	+4.0	+2.5
K mart	5,118,133	+11.8	+3.1	27,319,904	+6.2	+1.8
Wal-Mart	3,633,000	+22.0	+8.0	23,974,000	+25.0	+11.0
Penney	2,722,000	+9.7	+8.6	15,246,000	+8.6	+7.2
Dayton Hudson	2,410,000	+15.1	+7.3	12,070,000	+14.1	+6.5
May	1,796,700	+8.7	+5.9	8,952,100	+12.5	+5.8
Woolworth	879,000	+11.2	+7.6	4,843,000	+9.6	+5.3
Melville	1,274,434	+7.8	+2.3	7,547,801	+1.3	+3.7
Walgreen	685,424	+9.1	+5.5	5,612,792	+11.5	+8.9
Ward	855,124	+3.3	N/R	4,723,334	+3.2	N/R
The Limited	815,900	+11.0	+5.0	4,291,000	+13.0	+9.0
Ames	829,000	−2.9	−13.0	4,834,000	+55.4	+4.1
Carter Hawley Hale	531,400	+3.5	+3.0	2,671,300	+5.3	+4.7
Mercantile	430,519	+1.0	+0.5	2,191,521	+2.2	+1.5
Circuit City	380,400	+22.0	+2.0	N/R	N/R	N/R
Hills	387,149	+24.9	+2.8	1,970,945	+22.9	+1.4
Rose's	219,664	+6.2	+1.3	1,429,871	+4.3	+1.0
The Gap	286,000	+22.0	+14.0	1,470,000	+24.0	+15.0
Neiman-Marcus Group	263,200	+13.2	+10.2	N/R	N/R	N/R
Jamesway	154,527	+8.0	+2.0	809,042	+8.0	+2.0
Ross	122,000	+10.9	+2.0	N/R	N/R	N/R
Dollar General	77,800	−3.4	−7.0	566,000	N/C	−1.1
Best Buy	104,000	+21.0	+5.0	424,000	+6.0	N/R
Gottschalks	54,065	+24.9	+13.7	221,686	+19.2	+8.2
Claire's	45,390	+46.0	+14.0	174,220	+46.0	+23.0

N/R = not reported N/C = no change Source: Company reports

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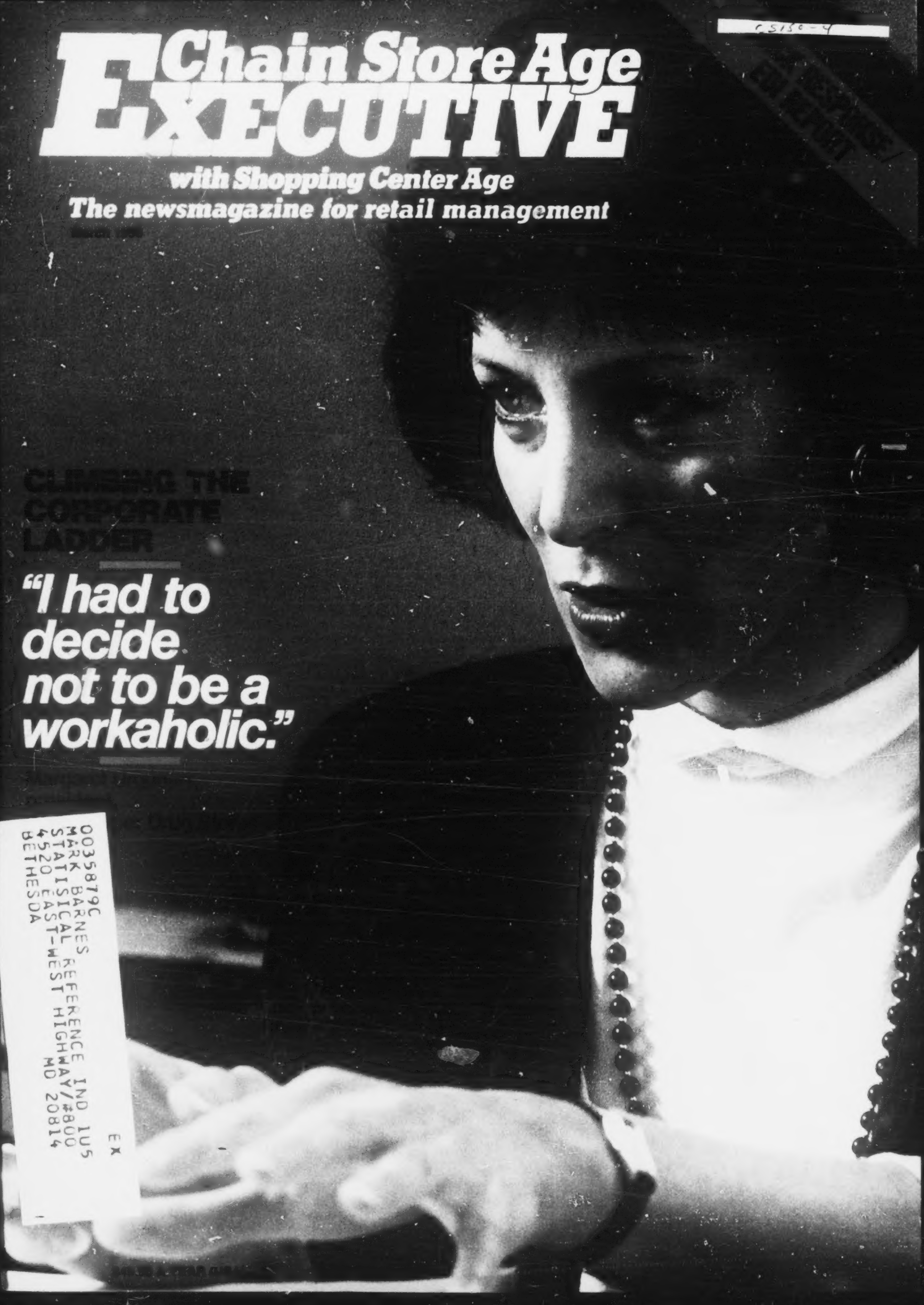

CLIMBING THE CORPORATE LADDER

"I had to decide not to be a workaholic."

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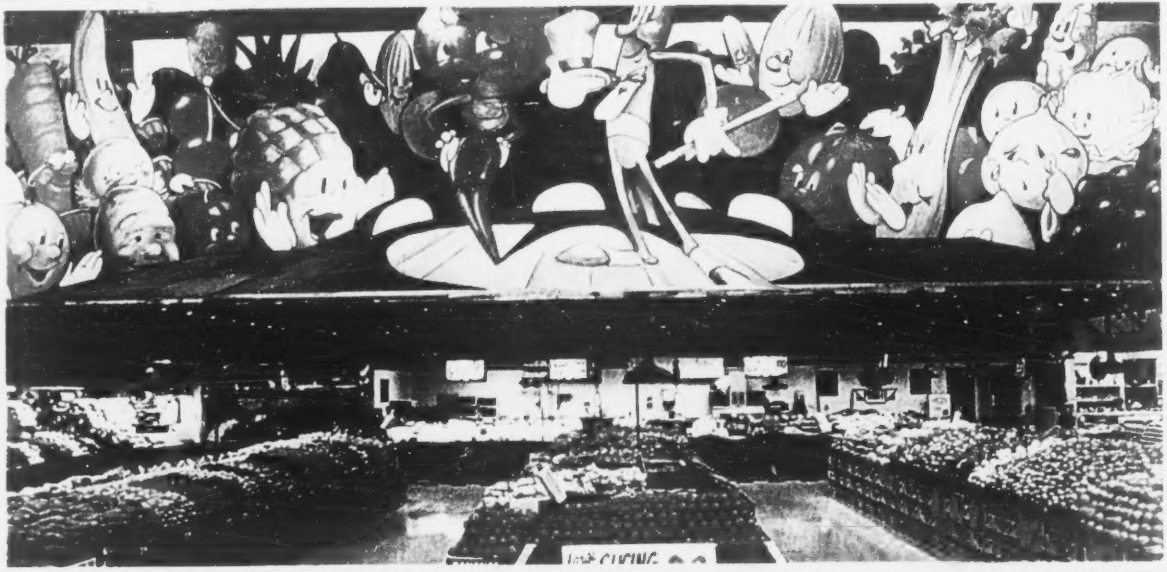

HAS FRED MEYER GONE HOLLYWOOD?

Not literally, but the newest megastore in the 125-unit Pacific Northwest chain opened in a Portland, Ore., neighborhood called Hollywood West. Theater and entertainment are behind the design of this 187,000-sq.-ft. prototype. The emphasis is on a whimsical, adventuresome and entertaining encounter. 76

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SECTION TWO

Small Center Development: Specialization is the watchword as developers expand beyond traditional formats.

Prior to the opening of Fashion Mall, Indianapolis, upscale specialty customers traveled to Chicago to shop.

WAL-MART PUTS INDIANA IN HIGH GEAR

DISCOUNTER'S AGGRESSIVE EXPANSION SPARKS CENTER DEVELOPMENT

Second-tier is the major story in Indiana. One reason: Wal-Mart. Developers building in smaller markets are finding that the discounter's aggressive expansion throughout the Hoosier State is creating new opportunities.

"One of the most active areas is Evansville," observes Gayla Gubler, director of leasing for Evansville, Ind.-based Regency Associates.

The firm recently opened two Wal-Mart-anchored centers: the 110,000-sq.-ft. University Village on the west side of Evansville, and the 180,000-sq.-ft. Village Commons on the east side.

The sites are a departure for Wal-Mart, Gubler says. "Evansville is a different site for them. It's a larger town than usual," she observes.

Wal-Mart also anchors Regency's newly-opened 115,000-sq.-ft. Village North center in Lebanon, Ind., a suburb of Indianapolis.

Aikens, S.C.-based Hutchens Co.'s 347,000-sq.-ft. Market Centre in Goshen, Ind., now under construction and set for a fall opening, will house both a Sam's Wholesale Club (another Wal-Mart division) and a Felpausch Grocery.

Hutchens is building the 150,000-sq.-ft. Peace Tree Village, still another Wal-Mart center, in Rochester, Ind., south of South Bend. Opening is set for spring 1991.

"There's a great deal of opportunity in Indiana, which Wal-Mart recognizes," says George Brusco, vp-leasing at Hutchens. "For our part, we recognize the opportunity to build accompanying retail shops."

Wal-Mart will put the squeeze on other discounters, such as K mart and Hills, that already operate in the market, says Gary I. Linder, president of the Linder Co., Indianapolis. He expects that hypermarkets, too, will soon enter the region, heating up competition even more.

Not all the activity in second-tier markets, however, is driven by Wal-Mart's expansion.

Regency plans Williamsburg Village in Muncie, 250,000 sq. ft. anchored by H. H. Gregg (a junior department store), a discount store and a supermarket. Opening is set for spring 1991.

Skinner & Broadbent, based in Indianapolis, is putting the finishing touches on Eastland Shoppes in Evansville. The 151,000-sq.-ft. center is adjacent to Eastland Mall.

Regional opportunities: Indiana's second tier markets are, however, the only places around the state where regional malls are getting built.

"For these markets, regional malls are still a draw. Anchors are concentrating on that size market," says William L. Schrage, executive vp-development and acquisition at Skinner &

***Union Station's $3 million renovation** enhances its 'train station' ambience.*

Broadbent.

Des Moines-based General Growth/Center Cos. will open River Falls Mall in Clarksville, Ind., this fall. The 600,000-sq.-ft. center will be anchored by Bacon's, Toys "R" Us and Wal-Mart, as well as a 100,000-sq.-ft. family recreation park called River Fair.

"We've followed the trend toward entertainment in malls closely. But we wanted to do it our way," says Douglas Kline, vp-public relations. River Fair park will feature water rides, a miniature golf course and a giant carousel.

Dayton, Ohio-based Beerman Realty is constructing Vincennes Mall in the town of Vincennes, and has set a fall 1991 opening. The 400,000-sq.-ft. center will be anchored by Elder-Beerman, Hills, Sears and a department store to be announced.

A smaller town like Vincennes, which is located between Terre Haute and Evansville, is an oasis that needs to be treated better, says P. Joseph Linnane, vp-development at Beerman.

"The center's architecture will follow a nautical theme, in honor of the four fighting ships that have been named Vincennes," Linnane adds.

Beerman also is acting as a joint venture partner with Southfield, Mich.-based Schostak Bros. for the 390,000-sq.-ft. Fair Oaks Mall in Columbus, Ind., opening this summer. Anchors are Elder-Beerman, K mart and J. C. Penney.

Builders beware: Not all smaller markets can take a lot of development, however. Linder sounds some caution to builders in Fort Wayne, in particular.

"Building in Fort Wayne has been about equal to that in Indianapolis, but without as much population. Developers have to be careful," Linder warns.

Chicago-based Landau & Heyman, meanwhile, is renovating the 1.4 million-sq.-ft. Glenbrook Square in Fort Wayne. Leasing continues on Glenbrook Commons, a power strip.

Skinner & Broadbent has newly opened the 82,000-sq.-ft. Coliseum Shoppes and the 44,500-sq.-ft. Village at Time Corners.

Metropolitan development: Despite the concentration of developers elsewhere in the state, some construction does continue in Indianapolis itself. "It's been said that Indianapolis is overbuilt for retail, but there always are selective opportunities," says John Getty, vp, general manager-retail division.

Scheduled for a 1991 opening is Duke's South Park Plaza, part of a mixed-use complex on more than 100 acres in the growing Indianapolis suburb of Greenwood.

Indiana

1989 population: 5,554,192 (est.)
1994 population: 5,619,011 (proj.)
1989 median household income: $25,349 (est.)
1994 median household income: $29,942 (proj.)
1989 retail sales: $58,484,559,000

Indianapolis Metropolitan Statistical Area

1989 population: 1,242,175 (est.)
1994 population: 1,280,414 (proj.)
1989 median household income: $24,622 (est.)
1994 median household income: $28,425 (proj.)
1989 retail sales: $13,700,614,000

Source: Donnelley Marketing Information Services

Getty concedes that the center "may be a bit ahead of its time," at opening, but notes that the area is "starting to grow."

The firm also has expanded Fashion Mall/Keystone at the Crossing Center within the city several times. The center provides upscale retail to the area, Getty explains.

"Prior to this center, upscale specialty customers went to Chicago to shop," he says.

Other Indianapolis bedroom communities also are seeing growth.

Indianapolis-based Faulkner & Blankenbaker is building Riverplace Centre, a 130,000-sq.-ft. strip in Noblesville, Ind., at the convergence of state highways 32, 19 and 38. The center will be anchored by a Kroger superstore. A future second phase will include 100,000 sq. ft. of office space.

Noblesville is located to the northeast of the city, an area that "has experienced a great deal of growth," says Joe Faulkner, principal. Yet even there, he expects that "Growth ought to be slowing down."

Farther north, the firm is renovating a 230,000-sq.-ft. enclosed mall in Mishawaka, Ind.

Not all development is in the Indianapolis suburbs. The city has spent much time and money to redevelop its downtown areas.

It revamped downtown Union Station, adding 49,000 sq. ft. of retail and 60,000 sq. ft. of restaurants and a food court. Union Station opened in 1853, and was expanded to its present building in 1888. The current Amtrak terminal is across the street.

Though the original conversion of the historic building had been completed only in 1986, new owners Moor & South, headquartered in Highland Park, Ill., felt it already was time for an overhaul.

"The place had been open for almost three years, and had been used by millions of people. It needed a

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brightening of the inside, what we call a 'theme enhancement,'" explains marketing director James Anderson.

The $3 million renovation took place in stages. Creation of the food court came first. All food tenants were moved into one area, and a consistent storefront design created. Some specialty retail also was placed in the area.

Phase 2 entailed relocating of specialty tenants, redesigning storefronts, creating a new color scheme and lighting.

"Part of our theme enhancement meant giving the place much more of a 'train station' look and feel. It also capitalizes on the historic significance of the building," Anderson explains.

Capping the rebirth of downtown is the construction of locally-based Melvin Simon & Associates' Circle Centre mixed-use complex (*see following story*). The building is typical of changes going on in the city.

Hypermarkets will soon enter the region, heating up competition

"It's gone from a Rust Belt town to a service industry town," observes George Hahne, director of marketing for Westchester, Ill.-based Tri-Land Properties.

Tri-Land is now in Phase 2 of renovation of Speedway Center in Indianapolis. A local church will be moved to another site on the property, followed by the construction of additional retail. Phase 2 completion is set for fall 1990. Final facelifting will be finished in fall of 1991.

Skinner & Broadbent is building six centers in the city, including North Willow Commons, with 100,000 sq. ft. at 86th Street and Ditch Road.

The firm has just completed 46,000-sq.-ft. Clearwater Shoppes on East 82nd Street. The Village at Eagle Creek, with 200,000 sq. ft., is set to begin construction this summer.

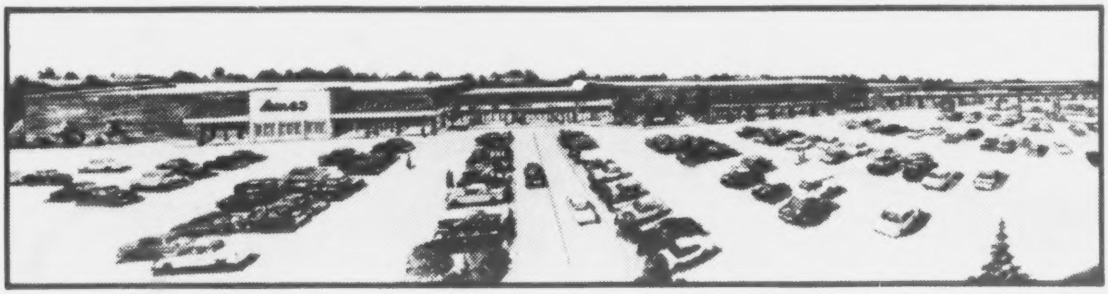
Factory outlet center: Paris & Associates, headquartered in Carmel, Ind., plans Fairground Village in Richmond, one of the area's first factory outlet centers. Tenants in the 155,000-sq.-ft. center will include Anne Klein, American Tourister and Bass.

The center is located on I-70, accessible from Indianapolis, as well as from Fort Wayne, Dayton, Cincinnati and Columbus, Ohio, says Dan Paris, president. "The site is close to six million people," he says.

Even with the greater opportunity to build in smaller markets, the chance for overbuilding exists. Without the magic draw of Wal-Mart, says one broker, developers should be careful.

"There's an onslaught of small centers coming to market. We're in a vulnerable time frame. I'm trying to be somewhat cautious," Linder says. ■

Pine Lake Community Shopping Center



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MARSHALL FIELD IMPLEMENTS DRUG TESTING

KEEPING ABUSERS OUT OF THE WORKFORCE PROVES COST-EFFECTIVE

Marshall Field has joined the growing ranks of retailers that are testing prospective employees for drug use.

The testing started last year as part of Field's all-out assault on employee drug abuse.

"We came to the point where we just couldn't ignore the problem anymore," says Philip Johnson, vp-human resources, Marshall Field.

"Our store undercover agents were reporting an increasingly disturbing amount of drug use and drug dealing among our employees," he says.

To make matters worse, Field's loss prevention experts estimated that half of the company's internal theft cases were drug-related.

"The average loss per case was $3,000," Johnson adds.

In addition to educating its employees about drug abuse, Field's set out to stop individuals with existing drug problems from entering its work force.

"Testing has become an increasingly viable option since the loss of pre-employment polygraphs, which had acted as a deterrent to drug users," Johnson says.

Job-specific testing: The company does not conduct drug tests across-the-board. Only applicants for certain positions in warehouse centers, security, housekeeping and credit are tested.

"We recently expanded the program to include testing for cause, such as in the case of accidents," Johnson adds.

The company tested 432 job applicants in 1989. Approximately 15% were rejected due to positive drug test results. Half of those rejected tested positive for cocaine use.

When retailers conduct drug testing

Pre-employment screening	**54%**
Only when suspicion exists	**38**
Periodic testing	**19**
Other	**31**

Source: Ernst & Young

"The rejection rate was the same in the suburbs as it was in the cities," Johnson notes.

One of the main drawbacks to drug testing is its cost.

"It can be very expensive, particularly for large retailers that may test thousands of applicants per year," Johnson says. "We average about $55 per test."

Field's, however, is convinced that drug testing is cost-effective. According to Johnson, the long-term return of keeping drug abusers out of the workforce more than justifies the short-term expense.

"It's hard to put a price tag on all the lost time, accidents and theft caused by employees with drug problems," he explains.

Field's has not yet undertaken any studies to gauge the impact of its screening program. But worker's compensation claims in the areas with drug screening have dropped 43% since last January, according to Johnson.

"At the same time, voluntary admissions by our existing workforce to substance abuse programs have increased," he adds.

"Our feeling is that the testing makes all employees more aware that Field's will not tolerate drug abuse," Johnson explains. "And that's a good message to get out."

The company plans to expand pre-employment testing to other areas of store operations, including visual merchandising. Field's also plans to introduce an employee drug abuse assistance program in the upcoming months.

"Drug testing is just a part of our much larger effort to combat the problem of substance abuse," Johnson says.

"It should never be viewed as a policy in and of itself." ■

Retailers using drug testing by employee group

Distribution center	**48%**
Store level	**33**
Headquarters	**19**
Security/loss prevention	**19**
Other	**37**

Source: Ernst & Young

EMPLOYEE THEFT LINKED TO DRUG ABUSE

Drug use in the workplace is becoming a matter of major concern for retailers, according to a security survey conducted by New York-based accounting firm Ernst & Young. The survey polled 130 retail companies operating more than 42,500 stores nationwide.

"Forty percent of the retailers polled said there was evidence that thefts by employees were drug-related," says Stephanie Shern, national director, retail services, Ernst & Young.

To deal with increased drug use, 21% of the respondents report that they are testing employees for drugs. Many other companies are in the process of creating testing programs, Shern adds.

The most common group of employees to undergo drug testing work in distribution centers. Store-level employees, along with headquarters and security personnel, are also likely candidates for drug testing.

Of the retailers who conduct drug tests, more than half (54%) give the tests during pre-employment screening. Another 38% of the group say they test for drugs only when suspicion exists. Only 19% of the retailers surveyed conduct periodic testing.

One interesting note: None of the surveyed retailers who conduct drug tests have been involved in litigation due to testing.

RETAILERS POST MODEST JANUARY GAINS

SPECIALTY STORES OUTPACE DEPARTMENT STORES, DISCOUNTERS

The nation's biggest retailers posted modest sales gains in January. Specialty store gains far outpaced those of department and discount stores, owing to a strong market for apparel and a weak market for durables.

Setting the pace for specialty retailers was The Gap, which posted a 24% same-store sales gain. At The Limited, total sales were up 11.3%, while comparable-store sales gained 9%. Gantos also maintained its strong performance, posting a 29.9% total sales increase.

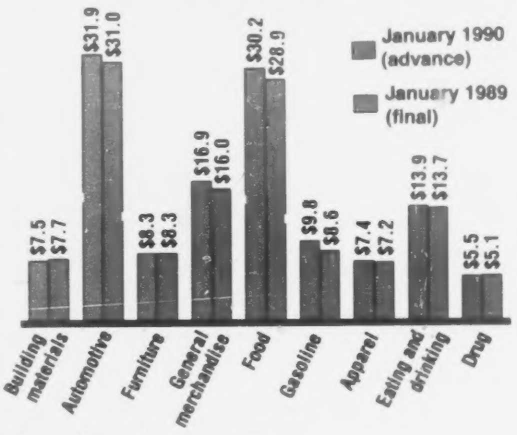
Sears, the nation's largest retailer, said its comparable-store sales rose 3.3% in January on a restated basis. The restated figures exclude categories of merchandise that have been eliminated, allowing Sears to report larger sales increases than would otherwise be possible.

Sears insists that the restated figures are a more accurate measurement. Some analysts dispute this, noting that Sears has replaced its discontinued merchandise with new categories.

At K mart, the nation's second-largest retailer, comparable-store January sales increased 3.1%.

JANUARY SALES

(Seasonally adjusted, figures in billions)



Source: U.S. Department of Commerce

CHAIN PERFORMANCE

Company	January '90 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,166,483	+ 2.2	+ 3.3	$33,574,235	+ 3.9	+ 2.5
K mart	1,788,252	+13.1	+ 2.0	29,108,156	+ 6.6	+ 2.0
Wal-Mart	1,841,000	+24.4	+10.0	25,815,000	+25.0	+11.0
Penney	779,000	+ 8.5	+ 7.3	15,116,000	+ 8.4	+ 7.2
Dayton Hudson	711,000	+12.1	+ 5.2	12,780,000	+14.0	+ 6.4
May	471,700	+ 5.2	+ 2.6	9,424,200	+ 2.1	+ 5.7
Woolworth	283,000	+ 8.4	+ 4.5	5,126,000	+ 9.5	+ 5.3
Melville	426,650	+ 9.1	+ 3.9	426,650	+ 9.1	+ 3.9
Walgreen	494,075	+14.9	+11.0	494,075	+14.9	+ 9.6
Ward	278,248	− 3.8	N/R	5,001,582	+ 2.8	N/R
The Limited	285,600	+11.3	+ 9.0	4,577,000	+12.4	+12.4
Ames	230,000	+ 4.2	−16.0	5,070,000	+50.6	N/R
Carter Hawley Hale	192,400	− 0.2	− 0.6	2,863,700	+ 4.9	+ 4.3
Mercantile	117,158	+ 2.4	+ 0.9	2,308,679	+ 2.2	+ 1.5
Circuit City	167,600	+22.0	+ 1.0	N/R	N/R	N/R
Hills	81,046	+24.0	+ 5.2	2,051,991	+23.0	+ 1.5
Rose's	77,767	+14.2	− 1.5	1,507,514	+ 4.7	− 1.0
The Gap	94,000	+34.2	+24.0	1,564,000	+23.0	+15.0
Neiman-Marcus Group	127,300	+18.6	+15.1	N/R	N/R	N/R
Jamesway	38,127	+ 4.8	+ 2.0	847,169	+ 8.3	+ 8.3
Ross	37,000	+ 5.7	− 4.0	733,000	+15.6	+ 7.0
Dollar General	44,000	+ 1.3	− 3.4	610,000	+ 0.2	− 1.3
Best Buy	45,000	+15.0	N/C	469,000	+ 7.0	N/R
Gottschalks	12,314	+23.6	+13.0	234,000	+19.4	+ 8.4
Claire's	15,550	+59.0	+21.0	190,150	+49.0	+23.0

N/R = not reported N/C = no change Source: Company reports

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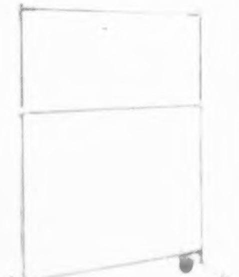
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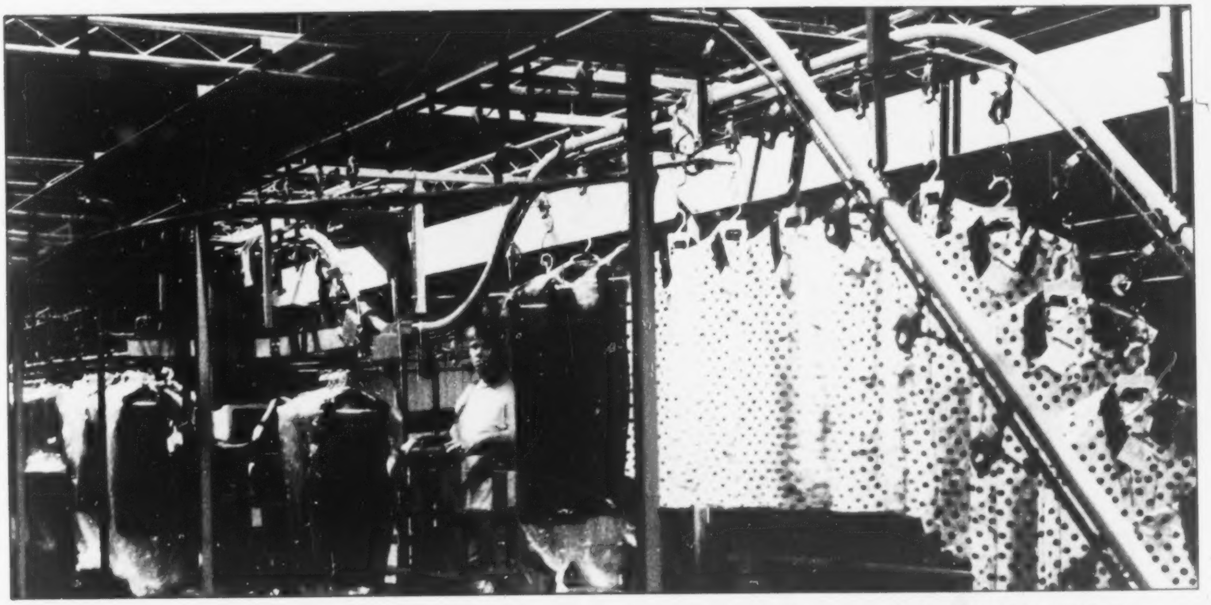

DESIGN BOOSTS FACILITY'S CAPACITY

Hanging garments move on a 70,000-sq.-ft. mezzanine level at Merry-Go-Round's 297,000-sq.-ft. distribution center in Joppa, Md. Effective use of what once was dead-air space makes the specialty apparel retailer's new facility equivalent to a 500,000-sq.-ft. center. The result is savings in lighting and HVAC costs. 72

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COMPUTER GLASNOST

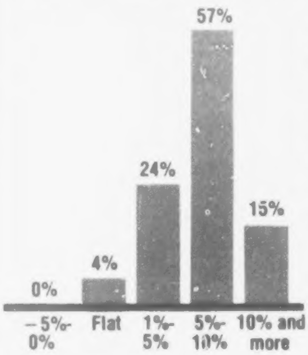
Hot on the heels of McDonalds, ComputerLand has opened its first store in Moscow. The store is marked by an American flag and a large red banner which proclaims: "Business to business, person to person." Located close to Moscow University, the store is run by a New Jersey-based franchise whose president just happens to be a Soviet emigré.

AMERICAN SHOES GO TO TOKYO

Add yet another name to the list of American retailers heading East, the Far East this time. Johnston & Murphy, America's oldest shoe manufacturer, has opened up the company's first retail store in Tokyo. The new shop is owned and operated by the Tokyo-based firm Chiyoda through agreement with Johnston & Murphy. To capitalize on Japanese fondness of American pop culture, the shop features a potpourri of Americana memorabilia, including a portrait of Babe Ruth and a presidential shoe display.

TOUGH TIMES AHEAD

1990s sales increase predictions



Source: Ernst & Young

With 1989 sales results still too fresh to be a distant memory, most retail executives are predicting slow and tough growth in the 1990s, according to a survey by Ernst & Young's Retail Services. More than half (57%) of surveyed executives are predicting annual sales increases of 5% to 10%, while 30% of those surveyed anticipate annual growth below 5%. The survey also indicates that executives believe the 1990s will be highly competitive, with further consolidation of retail companies. They expect that merchandise category leaders will be women's apparel, followed by household products and consumer electronics, with children's items slipping as the population ages.

ONLY THREE TIMES A YEAR

Dillard is winning praise from analysts for bucking the sales fever that has overtaken much of the retail industry. The Little Rock, Ark.-based department store has trimmed down its 1990 promotional calendar to only three store-wide sales annually. Although Dillard has greatly reduced its store-wide events schedule, the retailer has not reduced its sales promotion budget. Instead, funds have been reallocated to full-price fashion advertising that emphasizes name brands and enhances Dillard's quality image. Analysts predict the new calendar and pricing strategy will result in higher margins through fewer markdowns, better in-stock positions and less fluctuation in inventory.

INSIDE TRADING

It's not unusual for large supermarkets to rent space around their perimeters to small stores and boutiques. In Meridien, Miss., however, they've quite literally built a store within a store. In the center of a 55,000-sq.-ft. Sack and Save store (the warehouse store format of Jackson, Miss.-based Jitney Jungle Stores of America) is a 5,000-sq.-ft. Bill's Dollar Store. There are no walls around it—just a canopy that hangs overhead—and no separate cash registers, either. Customers bring selections to Sack and Save's front end, and bar codes tell the front office whose sale is whose. Bill's, also based in Jackson, is a variety retailer that sells clothes, shoes, electronics, home furnishings, toys and housewares. The chain has 530 stores in the South and Southwest ranging from 5,000 sq. ft. to 9,300 sq. ft.

WHAT'S SHAKIN' IN NORTH CALIFORNIA?

MATURE MARKETS POINT DEVELOPERS TOWARD EXISTING CENTER RENOVATION

For many developers in northern California, the powerful earthquake that struck the San Francisco Bay Area last October was ultimate proof that they are on shaky ground at all times.

Anti-growth sentiment has caused burdensome regulatory obstacles in some instances. But the red tape apparently has not kept too many developers from wanting to do business in the northern part of the state, where 4 out of every 10 Californians live.

Mature markets in northern California point developers in the direction of existing center rehabilitation. Building projects from ground up are perceived as politically controversial and financially costly. "Redevelopment renovation" is the dictum of the new decade.

MaceRich, Santa Monica, Calif., operates 11 centers in northern California, including the County East Mall in Antioch, a high-growth suburb of San Francisco. In November 1989, the center was expanded and enclosed.

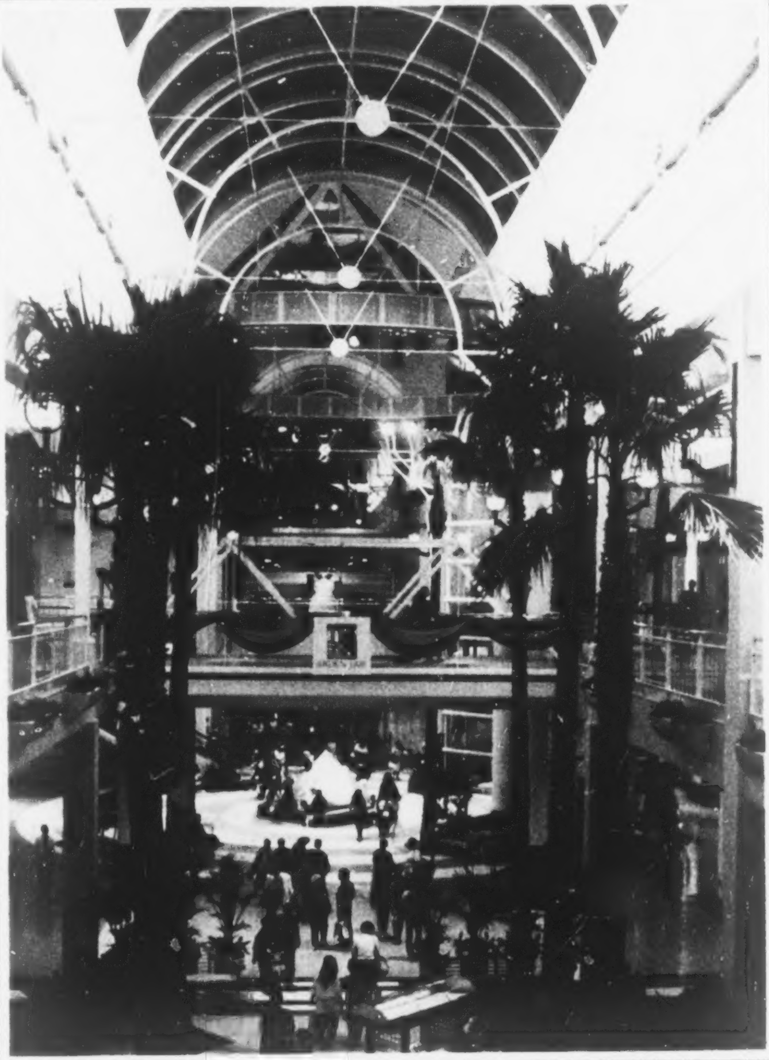
Arthur Coppola, MaceRich's executive vp, says the Antioch project is typical of MaceRich's approach to development in northern California.

Redevelopment of an existing center is "probably the most profitable thing a city can do in California, because the city becomes the beneficiary of sales tax increases," Coppola says. "Antioch was extremely cooperative and acted in a partnership mode with us, trying to stem the outflow of sales tax dollars to [nearby] Concord."

MaceRich has managed to renovate two other malls in northern California communities that had no-growth ordinances on the books. "Those cities gave us approval because it was in their financial welfare to enhance their revenue base," he says.

Coppola notes that MaceRich revitalization projects are not superficial makeovers. "We're not doing cosmetic facelifts; we're doing massive reconstructions." Many communities have grown affluent since their original town centers were built years ago.

"We try to transform properties from a look of the '50s and '70s and bring them into the '90s, completely changing their character and how they are perceived in the community," Coppola says.



Arden Fair's redevelopment project *takes advantage of the area's healthy demographics.*

The reputation northern California has garnered for being anti-development has some basis in reality. However, many developers learned long ago how to combat controversy their projects sometimes engender.

Good neighbors: When San Francisco-based Reininga Corp. decided to redevelop 30-year-old Lakeshore Plaza Center, located within the city limits of San Francisco near San Francisco State University, company officials met with neighborhood groups 18 times "to make sure everybody cared about the project and would have information about it," explains vp-development Gary Ward.

Following the neighborhood's approval, the project obtained necessary building permits from governmental agencies and now a new 50,000-sq.-ft. Lucky supermarket, 70,000-sq.-ft. Mervyns and retail/service shops totaling 86,000 sq. ft. are under construction.

San Francisco aggregation

1989 retail sales: $50,446,232,000
1989 population: 5,835,403
1994 population: 6,072,294 (projected)
1989 median household income: $36,849
1994 median household income: $46,240 (projected)

Source: Donnelley Marketing Information Services

Metropolitan Sacramento

1989 retail sales: $10,478,251,000
1989 population: 1,391,021
1994 population: 1,534,908 (projected)
1989 median household income: $25,827
1994 median household income: $30,855 (projected)

Source: Donnelley Marketing Information Services

North Central Counties

1989 retail sales: $3,142,372,000
1989 population: 431,321
1994 population: 468,224 (projected)
1989 median household income: $21,469
1994 median household income: $25,710 (projected)

Source: Donnelley Marketing Information Services

***MaceRich renovated** County East Mall with cooperation from the city of Antioch.*

Ward says the anti-growth sentiment in northern California "varies from community to community. Some still welcome growth. There is a larger number who tolerate it and a smaller number who outright oppose it."

Developers in northern California say that many residents are well-informed about environmental issues. This awareness has caused some municipalities to emphasize recycling.

"We automatically provide aluminum and glass recycling centers at supermarket projects," Ward says. "We are doing more amenities for the public. We are working on a center in extreme northern California where we are providing a bike path and pedestrian walkway connecting to a building next door.

Such amenities add cost, but Ward says if they are "good for the community, I don't have a problem with them. I want to help the community enjoy life."

Many developers routinely finance amenities such as public streets and signal lights to ease neighborhood transportation congestion. "Virtually every community imposes traffic mitigation fees," Ward says. "There is usually a school fee. In addition to signal lights, we sometimes widen streets around the site, landscape medians, and spruce up the area. We don't even question things like that."

Gemtel Corp., a Los Angeles developer, is helping to fund a $12 million freeway interchange that will provide access to its Pinole Vista Shopping Center. The center is in the Bay Area bedroom community of Pinole.

The 525,000-sq.-ft., open-air shopping center, on 110 acres, is being expanded. When completed, the center will have 1.1 million sq. ft. of retail space. The center commands over 1.5 miles of frontage along I-80, serving western Contra Costa County. It originally opened in 1979 and is being expanded a third time, says Bradley S. Kaye, Gemtel executive vp.

"Two interchanges will serve as bookends to our project," Kaye says. An assessment district composed of local businesses is paying for the interchange. Kaye notes, "It is not costing local municipalities a dime."

The project is expensive but Kaye says, "Obviously, we think we will make money. Most people don't want to be in a cornfield in Iowa. They want to be where the growth is. That continues to be in places like California."

Looking good: Center design and aesthetics are critical to northern California centers. Some developers believe they are held to higher standards than in other regions in terms of the facade, materials and signage.

Development is more costly in areas that have greater infrastructure needs, and those typically are older communities.

In renovating and expanding Downtown Plaza located three blocks west of the state capitol in Sacramento, San Diego-based Hahn is putting in significant modification and reinforcement to a two-level subterranean garage in an effort to bring it up to current seismic standards.

An additional 240,000 sq. ft. will be added to the existing 662,000 sq. ft. center. A new entertainment complex including a multi-screen cinema, shops, restaurants and food court are planned. Construction begins in June; completion is scheduled for fall 1991.

According to Dave Hokanson, project manager, the center will be open-air, yet shoppers will be shaded from the sun and protected from rain by a series of awnings and trellised roof structures throughout the court and arcade areas. An innovative system of climate control for an open-air center is being designed. The architect is Jon Jerde of the Jerde Partnership, Los Angeles.

"Sacramento is a high-growth market," Hokanson says. "From a retailing standpoint, it is a sleeping dog." In fact, Sacramento metropolitan area population has increased at a rate 20% greater than the state's and 160% faster than the national average in the

1980s.

Taking advantage of these healthy demographics is the Arden Fair redevelopment project located at I-80 and Arden Way. The mall originally opened in 1957 and was acquired by Chicago-based Homart in 1987. The project now has a total of 589,000 sq. ft. (74 stores) on 75 acres and will be expanded to 1.02 million sq. ft.

Approximately 200 stores will be added, including new tenant Nordstrom, which has joined existing anchors Sears and Weinstock's.

The new second level mall area is scheduled to open in May.

The October earthquake, ironically, almost caused the cancellation of a shopping center grand reopening in Sacramento, 120 miles away.

The state official in charge of elevator safety inspection said he would not be able to make his appointment at the Arden Fair regional shopping center, jeopardizing the center's long-planned promotion.

At the last moment, the official changed his mind, and he gave the center his blessings before heading off to the Bay Area emergency. Arden Fair's promotion went on as scheduled.

California Northern Coast

1989 retail sales: $1,307,179,000
1989 population: 210,431
1994 population: 218,793 (projected)
1989 median household income: $22,000
1994 median household income: $25,927 (projected)

Source: Donnelley Marketing Information Services

That incident was an unusual event that prompted "a little bit of concern," admits David A. Jones, senior development director for Homart.

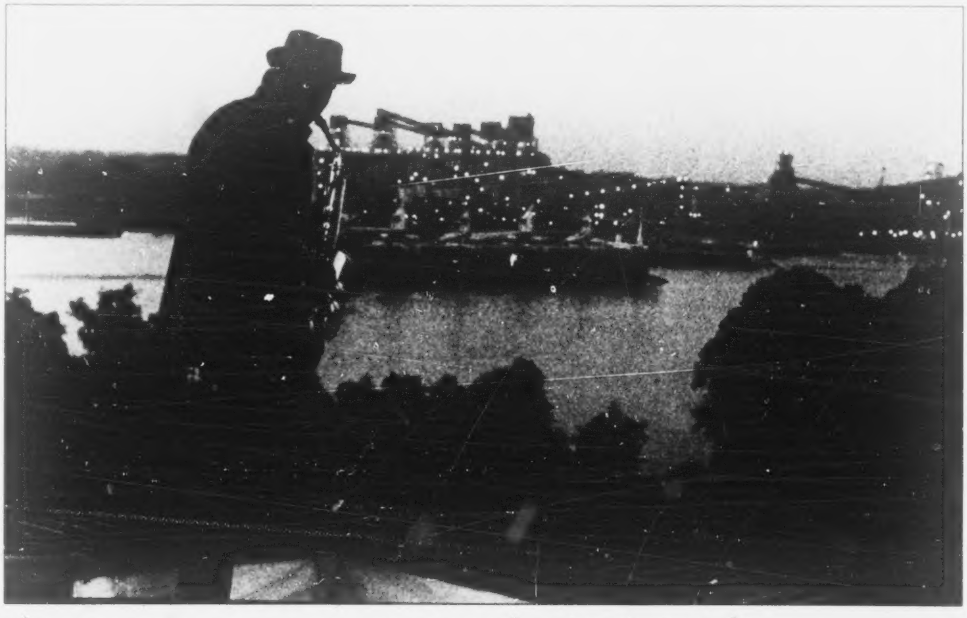
"Being in an earthquake zone, we have to put in steel to brace buildings so they move together in an earthquake, otherwise they would rip themselves apart," Jones says.

Coppola of MaceRich remains bullish on northern California, despite the "very strong no-growth movement in new development which is spurred by traffic concerns more than anything. Traffic is the key concern in most communities."

However, Coppola believes there is still a tremendous potential for renovation redevelopment in northern California.

"Redevelopment is much preferred in your ability to get approvals. Cities do not have to build new infrastructure, new sewers, streets, fire, and police. By taking an existing retail complex and improving it everybody comes out a winner. Redevelopment is much more profitable from the city's standpoint.

"Northern California is one of the most exciting markets in the United States in view of the disposable income available," Coppola says. "There are extremely strong regional retail chains located in northern California that provide the nucleus for some very exciting shopping centers." ■



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WAL-MART SET TO PULL AHEAD

EDGES INTO NO. 1 SPOT WITH SALES OF $1.95 BILLION

Wal-Mart, the success story of the '80s, seems ready to dominate the '90s. That is, if sales figures for February, the first month of the new fiscal year for most retailers, are any indication.

Having for some time occupied the niche of being the nation's third largest retailer, Wal-Mart edged ahead of second-place K mart with sales of $1.95 billion, a 33% gain over last year's figures.

K mart's sales were $1.9 billion, a 14.7% overall increase and a 4.4% same-store gain. The company says it is pleased with results in all its divisions, citing particularly strong gains in apparel.

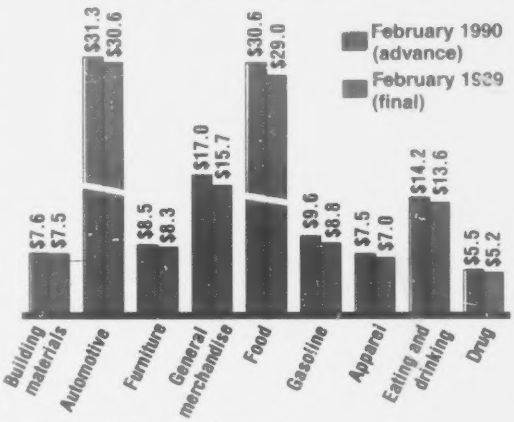
Meanwhile, Sears, the nation's largest retailer, continues to struggle. The company had virtually flat sales in February, at $2.1 billion, with a same-store gain of only 1.5%.

Dallas-based J. C. Penney, which has stepped up its program of adding more national apparel brands, enjoyed a same-store sales gain of 7.2%.

Woolworth's same-store sales climbed 11.7%, a gain strengthened by results at Kinney shoe stores.

FEBRUARY SALES

(Seasonally adjusted, figures in billions)



Source: U.S. Department of Commerce

CHAIN PERFORMANCE

Company	February '90 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,126,833	N/C	+ 1.5	$2,126,833	N/C	+ 1.5
K mart	1,904,814	+14.7	+ 4.4	1,904,814	+14.7	+ 4.4
Wal-Mart	1,951,000	+32.5	+17.0	1,951,000	+32.5	+17.0
Penney	880,000	+ 8.1	+ 7.2	880,000	+ 8.1	+ 7.2
Dayton Hudson	821,000	+13.2	+ 6.3	821,000	+13.2	+ 6.3
May	510,200	+ 8.9	+ 6.6	510,200	+ 8.9	+ 6.6
Woolworth	330,000	+13.7	+11.7	330,000	+13.7	+11.7
Melville	503,155	+11.7	+ 5.9	929,805	+10.4	+ 4.9
Walgreen	465,469	+11.2	+ 7.6	959,920	+13.1	+ 9.2
Ward	299,001	+ 2.5	+ 1.7	299,001	+ 2.5	+ 1.7
The Limited	318,200	+20.6	+16.0	318,200	+20.6	+16.0
Ames	263,000	− 0.4	− 2.0	263,000	− 0.4	− 2.0
Carter Hawley Hale	176,800	+ 3.1	+ 2.2	176,800	+ 3.1	+ 2.2
Mercantile	125,938	+ 6.9	+ 6.1	125,938	+ 6.9	+ 6.1
Circuit City	143,200	+25.0	+ 4.0	2,100,000	+22.0	+ 2.0
Hills	115,992	+49.7	+27.0	115,992	+49.7	+27.0
Rose's	112,638	+16.6	+11.3	112,638	+16.6	+11.3
The Gap	103,000	+28.7	+20.0	103,000	+28.7	+20.0
Neiman-Marcus Group	104,900	+ 1.5	+ 0.8	104,900	+ 1.5	+ 0.8
Jamesway	45,234	+18.0	+13.0	45,234	+18.0	+13.0
Ross	43,000	+ 7.5	− 3.0	43,000	+ 7.5	− 3.0
Dollar General	38,400	− 0.3	− 4.3	38,400	− 0.3	− 4.3
Best Buy	39,000	+26.0	+ 8.0	509,000	+ 8.0	N/C
Gottschalks	14,049	+28.0	+15.9	14,049	+28.0	+15.9
Claire's	13,960	+71.0	+27.0	13,960	+71.0	+27.0

N/R = not reported N/C = no change Source: Company reports

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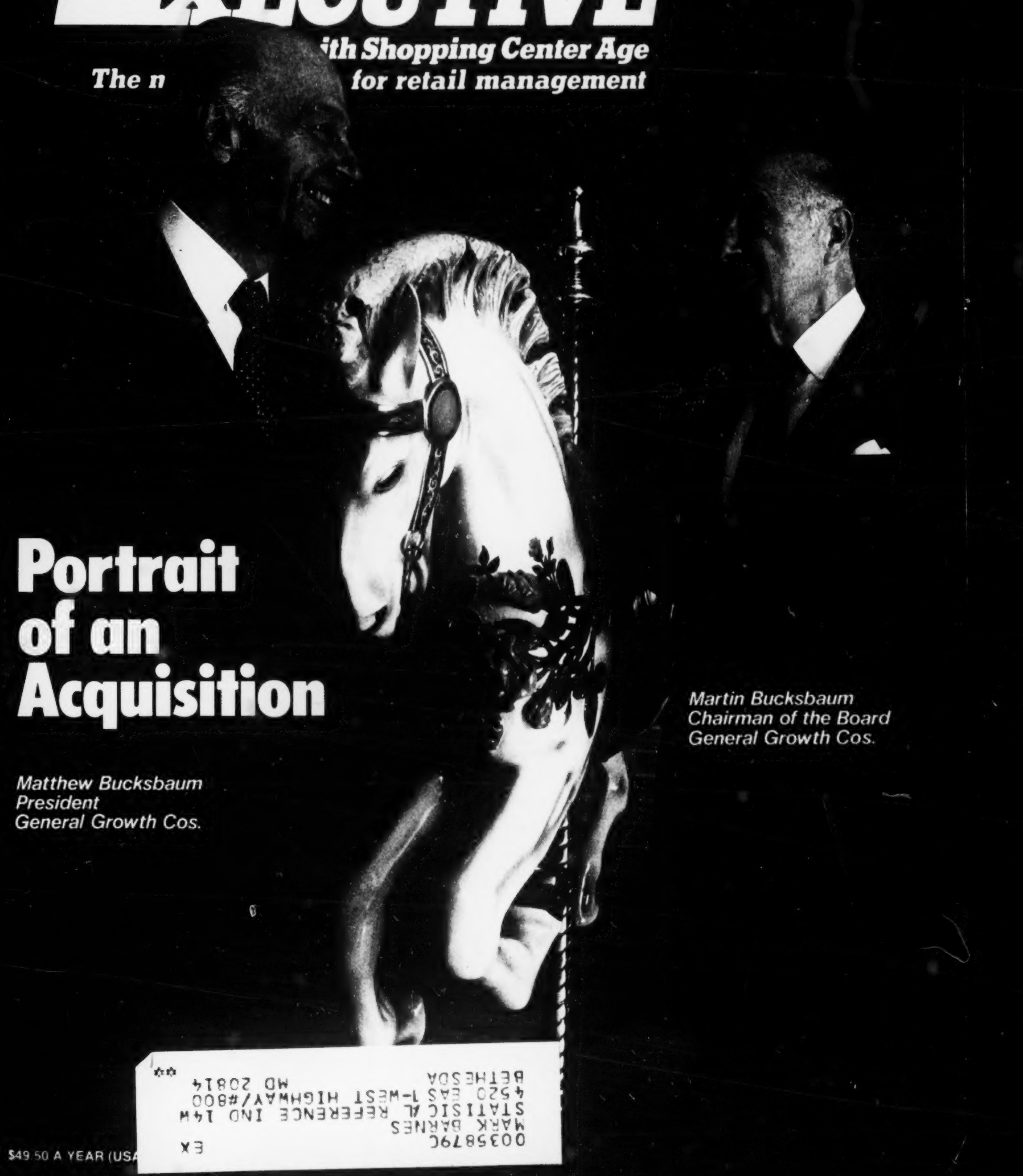

Portrait of an Acquisition

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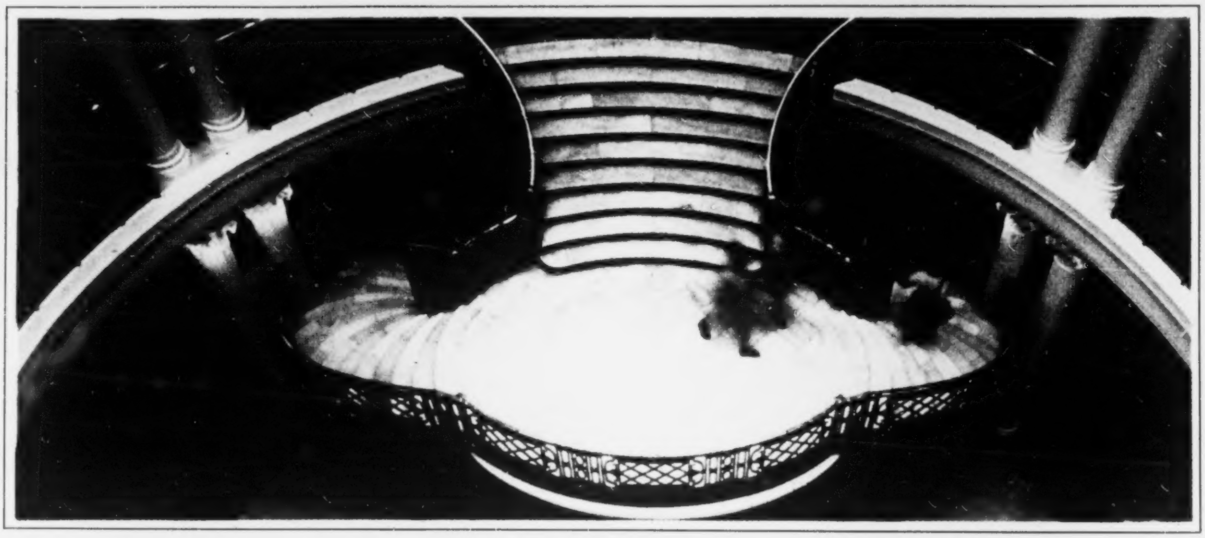

THE YANKS ARE COMING, BUT BEWARE

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DEVELOPERS KEEP ON BUILDING

TOP GROWTH LEADERS CHOOSE DIVERSE METHODS TO ADD TO PORTFOLIOS

Edward J. DeBartolo Corp. opened *Port Charlotte Town Center in the busy southwest Florida area last year.*

There are many different ways to grow. Despite widespread belief that the U.S. is running out of room for new shopping centers, developers are finding many ways to continue rapid expansion.

Several in the last year have managed to add more than 3 million sq. ft. each, as shown in *Chain Store Age Executive*'s second annual survey of the nation's fastest growing developers.

Development firms are ranked in order of new square footage (both complete centers and expansion of existing properties) opened in the calendar year 1989.

Coming in first this year was Youngstown, Ohio-based Edward J. DeBartolo Corp., with over 3.7 million sq. ft. of new space opened in the past year.

Not too far behind are Indianapolis-based Melvin Simon & Associates, (with more than 3.3 million sq. ft.) and Johnstown, Pa.-based Crown American and Syracuse, N.Y.-based Pyramid (with more than 3.2 million sq. ft.).

The developers that ranked in the Top 10 this year have used a variety of vehicles to continue growing. Many are making use of long-held land now finally ready for development. One developer simply is continuing its concentration on the usually-neglected middle market.

Another firm is making use of a close relationship with a rapidly-expanding retailer. Still another combines long-range planning with the ability to take advantage of sudden opportunities.

Many of the Top 10 developers are making use of long-held land

Fastest growing developers

Company	New sq. ft. 1989
Edward J. DeBartolo Corp.	**3,783,083**
Melvin Simon & Associates	**3,337,271**
Crown American Corp.	**3,264,263**
The Pyramid Cos.	**3,205,000**
Kornwasser & Friedman	**2,924,000**
Ramco-Gershenson	**2,593,773**
HSW Investments	**2,370,000**
Developers Diversified	**2,101,195**
George D. Zamias Developer	**2,013,163**
Weatherford/Walker Development	**1,921,600**

Source: Company reports

Foresight pays off: It should not be too surprising that the growth leaders are the largest developers in the country. They are reaping the benefits now of investments made years ago, says Herbert Simon, president of Melvin Simon.

Richard S. Sokolov, DeBartolo senior vp-development, general counsel, agrees. "Mr. DeBartolo has the courage and commitment to invest in good tracts of land. Therefore, we're already positioned on prime real estate."

Projects completed in the last year are the results of work begun in the mid-1980s, says Simon. "These projects take five years. And we have a healthy backlog for the next one to three years."

Such investment for the future continues. "We are still very actively acquiring parcels for future development. We presently have eight regional malls under construction, with another 30 projects in various stages," Sokolov says.

The growth will continue, although regional malls may not constitute as great a proportion of the new space. Simon notes that his firm has entered the power strip arena.

Expect to see an even greater percentage of new

Ramco-Gershenson

Centers opened in 1989

Summit Place, Pontiac, Mich.—742,750 sq. ft. expansion
Spring Meadows Place, Toledo, Ohio—467,331 sq. ft.
North Towne Commons, Toledo, Ohio—396,605 sq. ft.
West Oaks 2, Novi, Mich.—342,398 sq. ft.
Summit Crossing, Pontiac, Mich.—300,103 sq. ft.
Kentwood Towne Centre, Grand Rapids, Mich.—280,862 sq. ft.
Hampton Square Mall, Bay City, Mich.—63,724 sq. ft. expansion

Source: Ramco-Gershenson

Crown American Corp.

Centers opened in 1989

Chesapeake (Va.) Square—984,560 sq. ft.
Phillipsburg (N.J.) Mall—807,000 sq. ft.
Biltmore Square, Asheville, N.C.—687,544 sq. ft.
Ashland (Ky.) Town Center—524,543 sq. ft.
Nittany Mall, State College, Pa.—143,966 sq. ft. expansion
Uniontown (Pa.) Mall—116,650 sq. ft. expansion

Source: Crown American Corp.

Kornwasser & Friedman

Centers opened in 1989

Price Club Plaza, Corona, Calif.— 492,000 sq. ft. expansion
Price Club Plaza, Azusa, Calif.—225,000 sq. ft.
Price Club Plaza, Tempe, Ariz.—224,000 sq. ft.
Price Club Plaza, Fountain Valley, Calif.—178,000 sq. ft.
Price Club Plaza, Phoenix, Ariz.—171,000 sq. ft.
Price Club Plaza, Sacramento, Calif.—163,000 sq. ft.
Price Club Plaza, Northridge, Calif.—144,000 sq. ft.
Price Club Plaza, Glendale, Ariz.—128,000 sq. ft. expansion
Price Club Plaza, Santa Ana, Calif.—124,000 sq. ft.
Price Club Plaza, Santee, Calif.—124,000 sq. ft.
Price Club Plaza, Concord, Calif.—114,000 sq. ft.
Price Club Plaza, Oxnard, Calif.—114,000 sq. ft.
Price Club Plaza, Edison, N.J.—113,000 sq. ft.
Price Club Plaza, Long Island, N.Y.—112,000 sq. ft.
Price Club Plaza, Glen Burnie, Md.—112,000 sq. ft. expansion
Price Club Plaza, Tucson, Ariz.—112,000 sq. ft.
Price Club Plaza, Inglewood, Calif.—110,000 sq. ft.
Price Club Plaza, San Juan Capistrano, Calif.—77,000 sq. ft. expansion
Hollywood Galaxy, Los Angeles—63,000 sq. ft.
Price Club Plaza, Hampton, Va.—19,000 sq. ft. expansion
Price Club Plaza, North Haven, Conn.—9,000 sq. ft. expansion

Source: Kornwasser & Friedman Shopping Center Properties

Edward J. DeBartolo Corp.

Centers opened in 1989

Chesapeake (Va.) Square—984,560 sq. ft.
Port Charlotte (Fla.) Town Center—931,534 sq. ft.
Biltmore Square, Asheville, N.C.—687,544 sq. ft.
Ashland (Ky.) Town Center—524,543 sq. ft.
Chesapeake (Va.) Center—319,008 sq. ft.
Terrace at The Florida Mall, Orlando, Fla.—335,894 sq. ft.

Source: Edward J. DeBartolo Corp.

space coming about as a result of expansion of existing properties, says Frank Pasquerilla, chairman of Crown American.

"We're spending $240 million in expansions and renovations," Pasquerilla notes.

The firms with larger portfolios could actually begin a never-ending cycle of rehabs, Sokolov points out. Once the final center in a portfolio has been renovated, the corporation could begin all over again.

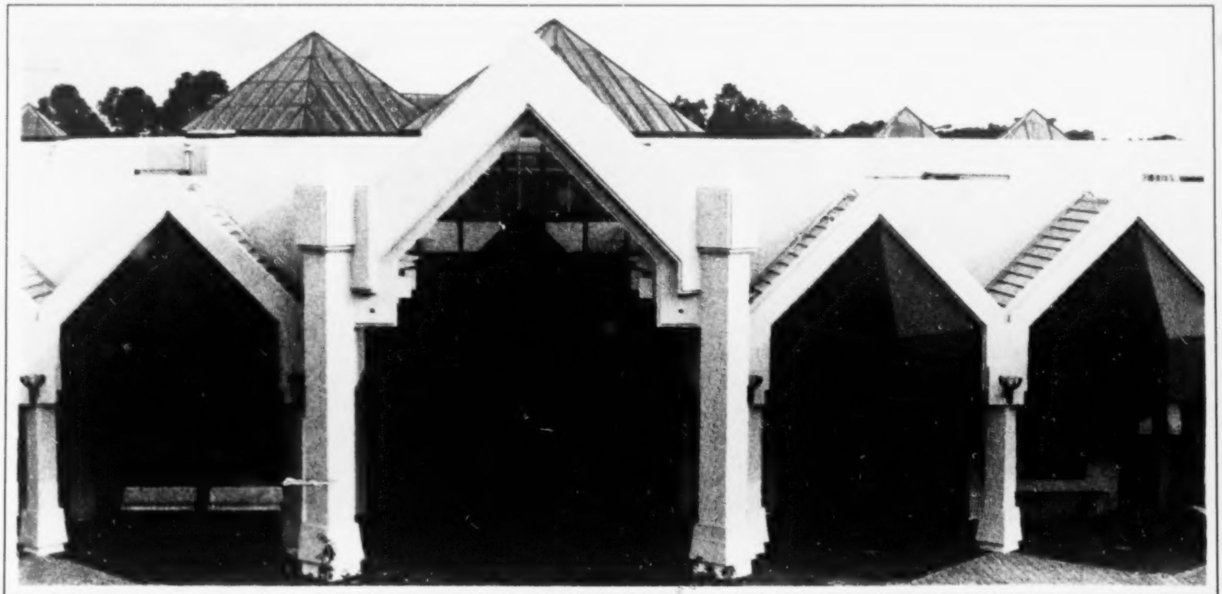
"We're actively working on expansions and renovations, and are constantly adding department stores to our existing centers. Our existing projects are very well-located, so department stores approach us," he says.

Anchor tenant woes: The department store debacle of the last year will provide as many opportunities as headaches, Simon believes.

"There will be many dramatic changes in the next two years. There may be fewer players out there, but those that are left are strong. We don't have any weak sisters left," Simon explains.

Shuttered anchors simply provide "another opportunity to reconfigure and remerchandise," he adds.

The Federated/Allied/Hooker problems have not affected Crown American at all, Pasquerilla says.



Melvin Simon and Associates opened *the 800,000-sq.-ft. Fashion Mall at Pentagon City in Arlington, Va., in 1989.*

For more information circle 30 on reply card

Developers Diversified

Centers opened in 1989

- Liberty Fair Mall, Martinsville, Va.—467,602 sq. ft.
- University Centre, Wilmington, N.C.—400,104 sq. ft.
- Quincy Place, Ottumwa, Iowa—271,322 sq. ft.
- West Side Crossing, Orlando, Fla.—267,015 sq. ft.
- Rivertowne Square, New Bern, N.C.—192,283 sq. ft.
- Western Plaza, Jacksonville, N.C.—165,712 sq. ft.
- The Crossroads, Marianna, Fla.—135,155 sq. ft.
- Pamlico Plaza, Washington, N.C.—131,002 sq. ft.
- The Hills Shopping Plaza, Elyria, Ohio—71,000 sq. ft. expansion

Source: Developers Diversified

Weatherford/Walker

Centers opened in 1989

- Hampton Village Centre, Rochester Hills, Mich.—544,000 sq. ft.
- Green Ridge Square, Grand Rapids/Walker, Mich.—445,000 sq. ft.
- Bay Valley Centre, Saginaw, Mich.—335,500 sq. ft.
- Pine Ridge Centre, Flint, Mich.—278,000 sq. ft.
- The Piers, Port Richey, Fla.—264,000 sq. ft.
- West Ridge Center, Westland, Mich.—55,100 sq. ft. expansion

Source: Weatherford/Walker Developments

Melvin Simon & Associates

Centers opened in 1989

- Fashion Mall at Pentagon City, Arlington, Va.—802,859 sq. ft.
- A&S Plaza, New York City—512,411 sq. ft.
- West Towne Corners, Altamonte Springs, Fla.—383,670 sq. ft.
- Crystal Court, Crystal Lake, Ill.— 276,380 sq. ft.
- Gaitway Plaza, Ocala, Fla.—222,861 sq. ft.
- Royal Eagle Plaza, Coral Springs, Fla.—201,135 sq. ft.
- Costa Verde, La Jolla, Calif.—178,000 sq. ft.
- Bridgeview (Ill.) Court II—155,198 sq. ft. expansion
- Lincoln Crossing, O'Fallon, Ill.—141,521 sq. ft.
- Regency Plaza, St. Charles, Mo.—125,000 sq. ft. expansion
- St. Charles Towne Plaza II, Waldorf, Md.—103,134 sq. ft. expansion
- Town Center II, Buffalo Grove, Ill.—64,267 sq. ft. expansion
- Eastland Plaza II, Tulsa, Okla.—50,105 sq. ft. expansion
- White Oaks Plaza II, Springfield, Ill.—33,880 sq. ft. expansion
- Park Plaza, Hopkinsville, Ky.—14,504 sq. ft. expansion

Source: Melvin Simon & Associates

George D. Zamias

Centers opened in 1989

- York (Pa.) Galleria—930,913 sq. ft.
- Cedar Knoll Galleria, Ashland, Ky.—603,671 sq. ft.
- Aiken (S.C.) Mall—478,579 sq. ft.

Source: George D. Zamias Developer

HSW Investments

Centers opened in 1989

- Aurora (Ill.) Marketplace—345,000 sq. ft.
- Shops at Promenade, North Miami Beach, Fla.—320,000 sq. ft.
- Sierra Marketplace, Reno, Nev.—310,000 sq. ft.
- Ramblewood Square, Coral Springs, Fla.—290,000 sq. ft.
- Pompano (Fla.) Marketplace—250,000 sq. ft.
- Clearwater (Fla.) Marketplace—245,000 sq. ft.
- Sunrise Marketplace, Las Vegas, Nev.—210,000 sq. ft.
- Lindsay Marketplace, Mesa, Ariz.—200,000 sq. ft.
- Tropicana Marketplace, Las Vegas, Nev.—200,000 sq. ft.

Source: HSW Investments

The Pyramid Cos.

Centers opened in 1989

- Walden Galleria, Buffalo, N.Y.—1,500,000 sq. ft.
- Emerald Square Mall, North Attleboro, Mass.—1,000,000 sq. ft.
- Independence Mall, Kingston, Mass.—650,000 sq. ft.
- Berkshire Mall, Lanesboro, Mass.—55,000 sq. ft. expansion

Source: The Pyramid Cos.

They never relied much on those anchors, anyway.

"We're still working with major tenants such as Sears, J. C. Penney, Belk and Leggett. As long as we're in growth areas—in the South and in middle markets—there are a lot of opportunities," says Pasquerilla. Forthcoming Crown projects include centers in Carlisle, Pa., Cleveland, Tenn., and Rome, Georgia.

Middle markets also have been a mainstay for Pasquerilla's Johnstown neighbors, George D. Zamias Developer.

"We've been fortunate in our travels and our development team to find towns that still need new shopping centers," says Samuel Zamias, senior vp-leasing.

Replacing a center: Another Zamias growth vehicle is the "replacement center," which essentially takes the place of an existing center that cannot modernize (*i.e.* add enough new anchors) because of a dearth of available land.

"The five-, six- and seven-anchor package mall is proving successful throughout the U.S.," Zamias says, adding that the company is planning or building centers in areas from Pittsburgh to Memphis to Columbus, Ga., to Jamestown, N.Y.

DeBartolo, too, is pursuing the middle market. Sokolov cites the firm's Crystal River (Fla.) Mall as a "totally new format for us, which services the smaller market. The reaction has been good, and it provides a third format [in addition to large regionals and peripheral strips] for us to pursue."

Joseph Kornwasser, managing partner of Kornwasser & Friedman, credits his firm's close relationship with Price Club as the impetus behind his company's 2.9 million-sq.-ft. increase last year.

"Our continued growth is a function of their expansion," he says. Kornwasser, however, still has to build around his primary anchor. He says he has had no trouble in doing so.

"Thus far, we've had no problem filling the centers. Many are 95% preleased," he says.

Kornwasser's centers are located in California, Arizona, and the Northeast corridor from Virginia through Connecticut. Further expansion will be within those areas, he says.

Able to move quickly: While most development takes years of planning, Farmington Hills, Mich.-based Weatherford/Walker Developments was able to expand practically at a moment's notice. The firm concentrates on power strips and mixed-use projects.

"Most of our projects tend to be in planning for a long period of time," says R. Richard Walker, president. Walker pegs the average time as about 18 months. Two projects last year, however, took only six months to move from land acquisition to grand opening.

"It was an example of an astounding level of cooperation," Walker says. Efforts included packaging parcels of land and the subsequent relocation of residents.

This, however, was highly unusual. Walker doesn't anticipate another six-month turnaround this year. Projects again will take a bit more time.

"We literally have 3.5 million sq. ft. under negotiation. Now is the time to expand," Walker says. ■

SPECIALTY CENTERS TOP COST CHART, SAYS POLL

CHAIN STORE AGE EXECUTIVE SURVEY REPORTS CONSTRUCTION TRENDS

Construction costs for new specialty centers soared in 1989, overtaking regional mall costs. What's worse, developers had not planned for the price hike, reports a *Chain Store Age Executive* survey.

As construction of upscale malls declines, developers are turning to high-end specialty strips to fill both retailer expansion needs and their own building agendas. The result: As competition heats up, specialty strips are getting more expensive.

Developers reported that they spent an average of $79.18 per square foot on new specialty center construction in 1989. This compares with the $54.05 per square foot that regional mall developers spent last year.

More important, centers cost much more than their developers had planned. In the 1989 *Chain Store Age Executive* Construction Survey, developers reported an anticipated a cost of $50.62 per square foot for new specialty centers. Instead, the price soared to close to $80.

The shock may have been too much for some developers. This year's survey respondents expect a cost decrease for 1990, with rates falling to $64.25 per square foot. Prices will rise again in 1991, predict developers, to $74.33.

Those answering last year's survey were a little closer to the mark when predicting new regional mall costs. The reported cost of $54.20 per square foot in 1988 was expected to drop to $51.42 last year. The reality showed less of a drop, to $54.05.

As with specialty centers, developers plan to spend less this year ($48.16), with 1991 proving more expensive ($59.41 per square foot).

SURVEY METHODOLOGY

The information reported in this story comes from more than 450 members of the International Council of Shopping Centers, who responded to a written questionnaire.

All respondents were guaranteed complete confidentiality. Some results of the study appeared in the January 1990 issue of *Chain Store Age Executive*.

Late responses not included in the January report are included here.

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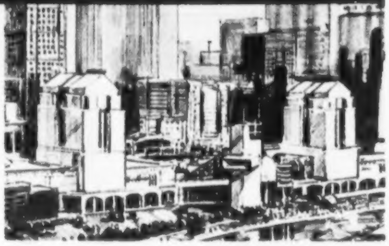
OFF-PRICE/OUTLETS

	1989	1990	1991
New	38.00	42.25	44.75
Rehab	28.33	28.33	35.00

MIXED-USE SUBURBAN

	1989	1990	1991
New	47.33	42.78	46.43
Rehab	26.50	29.28	30.00

MIXED-USE DOWNTOWN



	1989	1990	1991
New	66.33	49.50	56.00
Rehab	32.50	35.00	43.00

Builders of mixed-use projects also predict a dip in new center costs for 1990, followed by a rise in 1991.

A suburban mixed-use project cost $47.33 per square foot in 1989, the respondents report, slightly more than they had planned. The 1989 survey anticipated costs of $45 for that year.

Not surprisingly, developers are reining in costs in 1990: 1989 predictions of $49.94 were scaled back to $42.78 this year. Costs will increase to $46.43 in 1991.

Downtown mixed-use developers, like their specialty brethren, ended up spending a lot more in 1989 than they had anticipated. Last year's prediction of $45.33 per square foot became this year's reality of $66.33.

Perhaps as a result, the 1989 survey's predicted jump to $57.13 for a 1990 center has been changed to a drop to $49.50 per square foot. As with regional malls, specialty and suburban projects, costs will rise in 1991, to $56.00.

The road for developers of new neighborhood/community centers is more consistent—consistently expensive. However, conservatism is serving these developers well.

Neighborhood/community center developers are not getting stunned

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SPECIALTY

	1989	1990	1991
New	79.18	64.25	74.33
Rehab	28.75	5.00	50.00

REGIONAL MALLS

	1989	1990	1991
New	54.05	48.16	59.41
Rehab	50.00	46.88	39.33

NEIGHBORHOOD/COMMUNITY

	1989	1990	1991
New	51.44	52.21	54.89
Rehab	23.13	27.63	26.33

Source: *Chain Store Age Executive* research

by unanticipated rates. The 1989 survey predicted costs of $53.18 for that year. Developers actually spent $51.44. Last year's prediction of a steep rise to $62.34 in 1990 also has been scaled back, to $52.21. Another small rise has been predicted for 1991, to $54.89.

As fewer new centers are being built, renovations are becoming more important. For mixed-use projects, they also are becoming more expensive.

Developers of suburban projects spent an average of $26.50 per square foot renovating existing space in 1989. That figure will rise to $29.28 this year, and an even $30 in 1990.

Downtown projects will be even more expensive to overhaul. The 1989 figure of $32.50 will rise to $35 in 1990, and $43 in 1991.

Neighborhood/community center developers spent $23.13 per square foot in renovation costs in 1989, and anticipate a rise to $27.63 in 1990. Costs will drop to $26.33 in 1991.

Only regional malls show a steady decline in renovation costs. Developers spent $50.00 per square foot rehabbing malls in 1989, yet anticipate costs of $46.88 this year and $39.33 in 1991. ■

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- **Pittsburgh Plaza East Shopping Center** ... N. Versailles - Rts. 30 & 48
- **Penn Hills Municipal Shopping Center** ... Penn Hills - Rt . 380
- **Perry Shops** ... North Hills - Rt. 19
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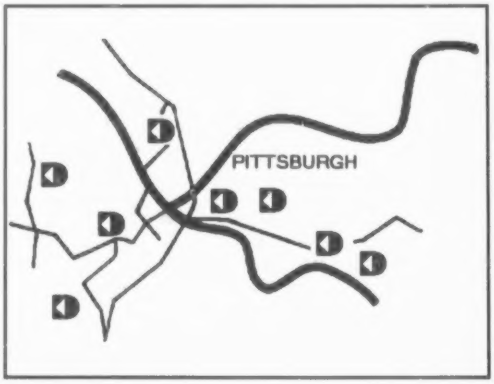

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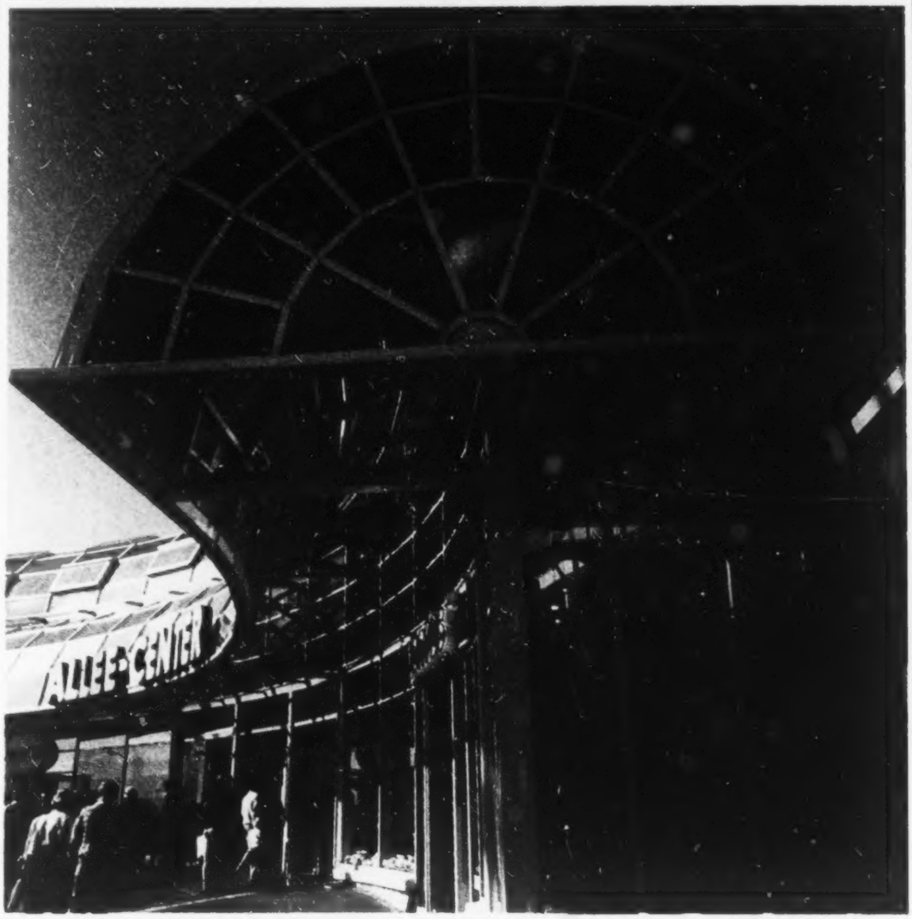
UPHEAVAL MAKES WAY FOR U.S. DEVELOPERS

COLLAPSE OF TRADE BARRIERS, COMMUNISM MAY BRING NEW INVASION



***Allee-Center**, Hamburg, West Germany*

The planned 1992 collapse of trade barriers in Western Europe, coupled with the totally unexpected collapse of Communism in the Eastern Bloc, may bring about a new invasion: U.S. shopping center developers.

Indianapolis-based Melvin Simon already has announced a mixed-use project to open in 1995 or 1996 near Nice, France, and has visited both Czechoslovakia and Hungary earlier this year.

While there, Simon purchased an interest in a Hungarian bank as a member of a consortium of North American financiers, including Andrew Sarlos, a Toronto-based developer, Albert Reichmann of Toronto-based Olympia & York, and Ronald Lauder, former U.S. Ambassador to Austria.

Other U.S. developers also appear interested in the formerly closed areas of the Continent. They may be surprised, however.

What they will find, particularly in Western Europe, is an already established shopping center industry. European developers themselves have built U.S.-style malls in France and Germany.

"We have stolen ideas from the U.S. for years," laughs Peter Ödlund, vp of Stockholm-based CentrumInvest.

Different market: European developers have watched the U.S. shopping center industry closely, and have learned from the mistakes of early U.S. centers. They also have had to adapt U.S. malls to their own needs.

Unlike the U.S. suburban mall, European centers compete with a centuries-old tradition of downtown marketplaces, points out Wolfgang Fischer, executive vp of New York City-based Paramount Group, a division of Hamburg, West Germany-based Otto Group.

Hamburg-based ECE Projektmanagement, another Otto subsidiary, owns 28 shopping centers in West Germany.

"The structure has grown over hundreds of years. These areas consist of restaurants and cafes as well as shops," Fischer says.

European centers also are smaller, with much smaller stores. Sales per square foot are much higher, Fischer notes.

"A downtown shopping center can be 80,000 sq. ft. Larger centers run from 150,000 sq. ft. to 200,000 sq. ft. They are very compact, and you must try to bring as much variety as possible," says Fischer.

Urban emphasis: Since the end of World War II, many European cities have concentrated on rebuilding inner cities, many of which had been devastated by battle. Historical preservation of buildings thus is much more important.

In addition, any U.S. developer familiar with the local county zoning board will encounter much the same resistance with European city planners as he gets back home. Getting approvals can be a long and complicated process.

"The town may want a center, only to have the county say no," Fischer says.

And unlike the U.S., where the environment is only now becoming a major concern, European developers have for many years had to deal with the ecological effects of their building.

With so many differences involved in developing centers across the Atlantic, both Fischer and Ödlund recommend that U.S. and Canadian developers seeking to enter the European market do so with a local partner.

"It is always prudent to do things with a local businessman. The majority of people crossing a border go with a local developer," Ödlund says.

"We love our American colleagues, but we prefer them as silent investors," Fischer says, laughing.

For one thing, local developers know local markets. The subtle nuances of each market may be lost on foreign developers, at least initially. Spain is not France is not Germany is not Portugal.

Submarkets also exist within each country. Munich is no more all of Germany than Houston is all of the United States.

Ödlund suggests that U.S. developers start in Great Britain, noting that a common language removes one obstacle.

Attitude also is important.

"It's very important not to walk in as a 'big Texan.' U.S. developers should work with a European developer or go in and hire people who have experience in the country," Ödlund says.

European centers compete with a tradition of downtown markets

Delayed entry: Ödlund, for his part, wonders what has taken U.S. developers so long.

"No one really understood that the opportunity was here two years ago," Ödlund says. "Deals in Hungary were possible five years ago," he notes.

In fact, one Canadian developer had investigated building across the Atlantic nearly a half-decade ago.

Cadillac Fairview had examined the possibility of building in England in the mid-1980s, explains James Bullock, the firm's president. Cadillac decided against the idea following the company's later sale to JMB.

The idea still makes sense, Bullock believes, although he notes that Cadillac Fairview will "be staying on this side of the ocean" for now.

"A new generation of retail development will come about in 1992, where developers can draw the best merchants of each country. It also is a major opportunity for North Amerian retailers," says Bullock.

One U.S. broker, Charles Aug, president of New York City-based Garrick-Aug Associates, is ready to help. Aug opened a branch office in Paris last October. He notes that Toys "R" Us already has been successful in West Germany.

"America does mid-range retail best, and has a lot to contribute in that area," Aug says. Aug observes that much of what constitutes upscale American retail, such as Gucci, actually is European in origin.

"Americans know how to grind it out. They'll be very competitive and very aggressive in expansion," Aug adds. He anticipates that American retailers will open more stores abroad than in the U.S. over the next 10 years.

To do that, he says, will require "the creation of an international team of architects and lawyers, all of whom are multilingual." He notes that his own Paris team fills the bill.

Recent world events may have made the idea of building in Eastern Europe attractive, but the reality is that it may be years before the area is ready for retail development.

"There is great demand in Eastern Europe, but first they have to rebuild their infrastructure. Then we can see a gain in consumer spending," Ödlund says.

For now, shelves would have to be stocked with Western goods, for a market where only a limited number of people could afford them.

East Germany may be an exception to that rule, however, if the one-for-one Deutsch Mark exchange is approved for eventual reunification with the West.

The major need right now, Fischer says, is for residential development. "There is a horrendous need for restoration in the major cities."

Aug, for one, sees the area as "emerging as a manufacturing center for Western Europe. They are well-educated, with skilled labor." The return of Hong Kong to Chinese rule in 1997 also has left investors leery of an Asian manufacturing base.

"There is no urgent need [for U.S. developers to build in Europe]. What is important, though, is to bring something new to the Continent," Fischer believes.

"There are still opportunities in Europe, but you must look carefully, and then try to fit into the community," Fischer says. ■

West European retail market

	Population (million)	Retail sales (ECU bn)	Sales per person (ECU bn)	Retail outlets (000)	Persons per outlet (no.)
Austria	7.61	23.6	3,098	39.1	195
Belgium	9.88	34.8	3,519	113.7	87
Denmark	5.13	17.7	3,442	41.7	123
France	55.75	207.6	3,724	418.2	133
West Germany	61.14	233.0	3,810	415.0	147
Greece	9.98	17.6	1,759	171.5	58
Ireland	3.54	7.1	2,017	31.5	112
Italy	57.40	182.3	3,176	871.3	66
Luxembourg	0.37	1.4	3,750	3.7	101
Netherlands	14.72	39.3	2,670	156.2	94
Norway	4.21	15.2	3,608	39.1	108
Portugal	10.23	18.8	1,838	97.5	105
Spain	38.91	81.9	2,107	540.0	72
Sweden	8.41	34.4	4,088	63.4	133
Switzerland	6.56	32.1	4,890	54.4	121
UK	57.07	156.9	2,750	343.4	166
Total	350.91	1,103.7	3,145	3,399.7	103

Estimates are for 1988 sales and have been adjusted to exclude motors and fuel.
Numbers of outlets based on latest year's census data for separate fixed retail businesses.
ECU exchange rates at 1988 annual average (Eurostat).

Source: The Corporate Intelligence Group, London

RETAILER COMMITMENT TO EDI ON THE UPSWING

SURVEY REPORTS SIGNIFICANT FOOTHOLDS FOR BAR CODING

Retailers have become increasingly committed to the implementation of bar coding, scanning and electronic data interchange (EDI).

However, a perception that industry standards are lacking has become a major barrier preventing widespread EDI use.

These are among the major findings of the second annual bar code/EDI survey prepared by Deloitte & Touche, the international consulting and accounting firm.

The survey attracted participation from 250 retailers, a response rate of 10%. Respondents included department stores, mass merchants and specialty stores. These companies run the gamut from small retailers with annual sales of less than $50 million to large chains with annual sales greater than $500 million.

Bar-code scanning has achieved a significant foothold in the retail industry, says the survey. Almost 70% of respondents said they are committed to scanning items marked by bar codes.

In the last year, smaller retailers' commitment to bar coding has grown from 45% to 63%, according to the survey. Among larger retailers, the commitment has grown from 82% to 100%.

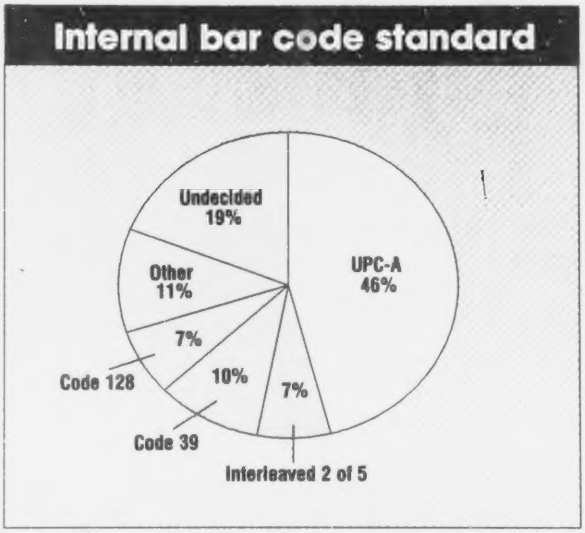
Department store retailers indicated that improved marketing information was the most important benefit they had derived from scanning. Specialty stores, meanwhile, ranked unit inventory accuracy as their No. 1 benefit.

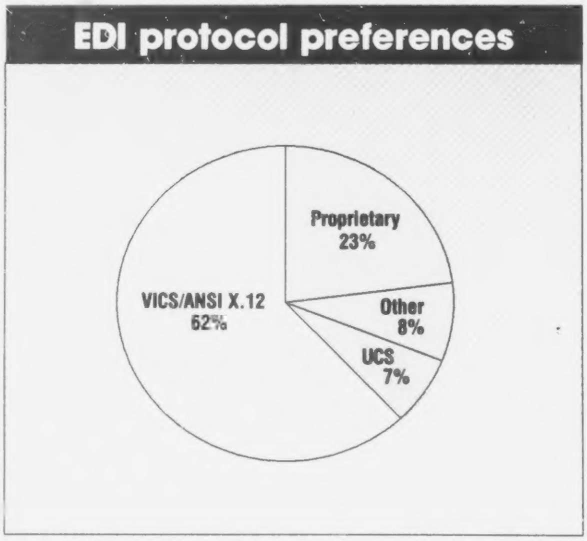
One hundred percent of mass merchants, 87% of department stores and 88% of specialty store respondents that are committed to scanning indicated they will be scanning UPC-A vendor markings by the end of 1991.

Among larger retailers, 74% are already scanning UPC-A vendor markings, a dramatic increase from 28% a year ago. Among smaller retailers, 46% are scanning UPC-A, up from 28% a year ago.

The survey indicated that most UPC-A programs with vendors are retailer initiated. Indeed, nearly 70% of department store and mass merchant programs were initiated by the retailers, respondents said.

Eighty-eight percent of respondents who are committed to scanning said they would be using internally prepared bar code tickets by the end of 1991. One third said they are now internally bar coding over 90% of their total items carried. Last year, 20% said they were internally bar coding.


Internal bar code standard


EDI protocol preferences

Source: Deloitte & Touche

UPC-A continues to be the bar-code standard preferred for internal use. Three quarters of the larger retailers said they use, or plan to use, UPC-A marking for internal bar coding. Among specialty stores, one half plan to use UPC-A.

Implementation of scanning at the point of sale has increased significantly since 1989, the survey found. Forty percent of respondents indicated they have installed scanning in some or all of their stores vs. 18% last year.

Of those retailers that scan, 21% said they scan all items carried. Fifty-four percent of respondents that scan indicated they use price look-up. This includes 80% of the mass merchants and 70% of the larger retailers.

Of those retailers currently using PLU, 73% do it for all items carried. A minority of respondents do PLU for event items (8%) and/or selected categories (16%).

Seventeen percent of respondents said they have installed flatbed scanners. However, by a wide margin, wands and hand-held guns are still the most common scanning technology.

The survey found manual entry is the most common method (78%) of transferring information from the vendor's catalog to the retailer's merchandise file. However, nearly a half of respondents said they plan to use electronic catalogs for information transferral.

In addition, respondents said they plan to use bar coding for a variety of non-POS functions in the future. A large majority (81%) said they plan to use bar coding for taking inventory. Fifty-eight percent said they plan to use bar coding for warehouse functions.

Meanwhile, 36% said they plan to use bar coding for shelf stocking purposes. Nearly half said they will use bar coding for inbound/outbound shipping purposes.

Most retailers cited the investment

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costs of POS scanning and equipment as the single major barrier to implementing scanning at the point of sale. Among non-apparel specialty merchants, the lack of vendor marked goods was cited as the major barrier.

More than one half of respondents said they are using or plan to use EDI with their vendors. Among the larger retailers, 87% said they are currently using or testing EDI with selected vendors.

Mass merchants (73%) and department stores (61%) indicated the strongest commitment to EDI planning and implementation. Gaining a competitive advantage was cited by these retailers as the primary motivation for establishing an EDI partnership.

Meanwhile, shortening the reorder cycle, developing a Quick Response capability and reducing inventory levels were cited as the major advantages of implementing EDI.

Respondents showed strong support for the VICS/ANSI X.12 protocol. More than 60% chose it as their EDI protocol of choice.

Mailbox: Most retailers cited a third party "mailbox" service as the preferred EDI implementation approach. The exception was mass merchants, 42% of whom said they prefer a direct link with the vendor.

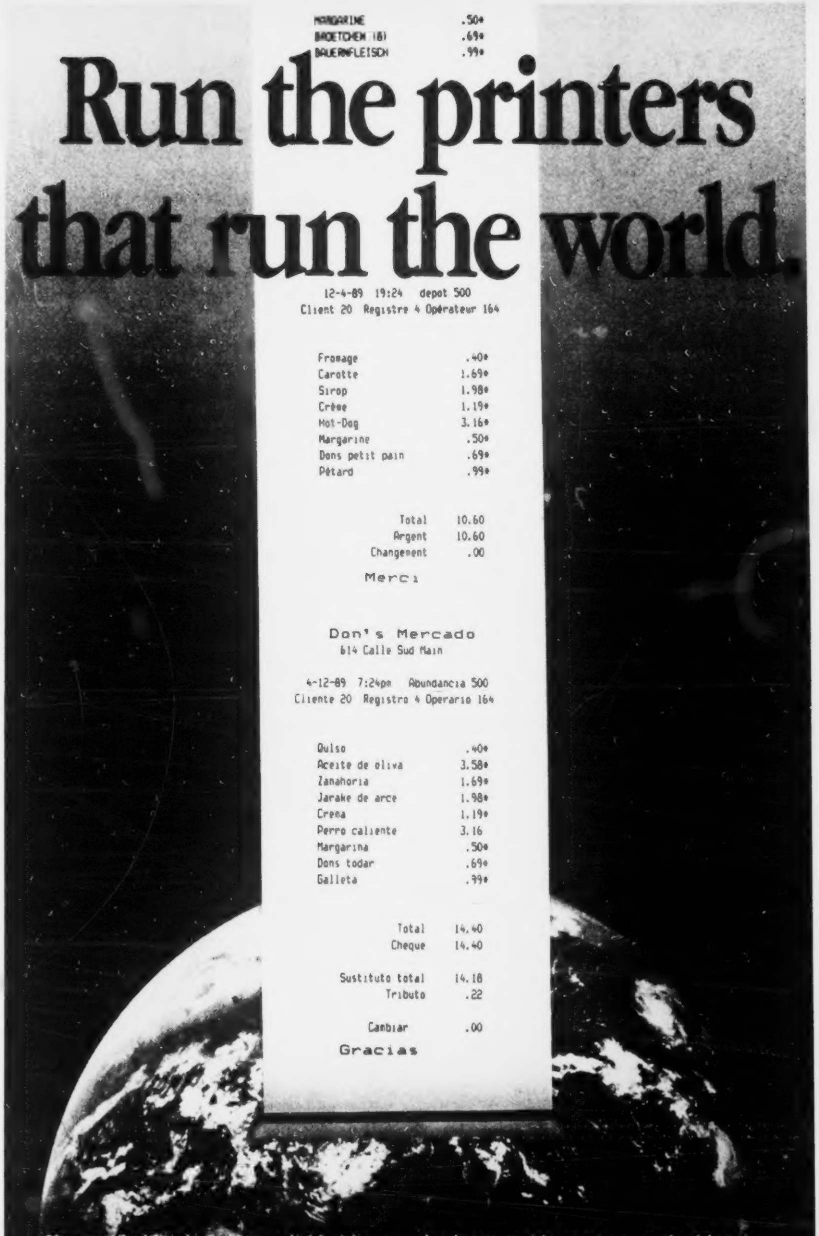
By contrast, 94% of department store respondents who are committed to EDI said they are current or planned subscribers to a third party "mailbox" service.

When it comes to EDI translation, department store retailers favor software provided by a third party network (48%). Mass merchants prefer custom developed software (30%) and packaged software (32%). Specialty retailers also have a strong preference for packaged software.

The survey found there has been a significant increase in the current utilization of EDI transactions. Planned use has also increased dramatically.

Purchase order transactions are currently used by 33% of the respondents, compared with 14% last year. In addition, the planned use of the sales information transaction has more than doubled since 1989.

A lack of industry standards was cited as the major barrier to wider implementation of EDI. Another barrier cited was retailers' lack of perception of EDI benefits. Among department stores and apparel specialty stores, the primary barrier cited was investment costs. ■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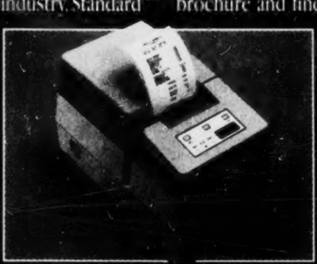

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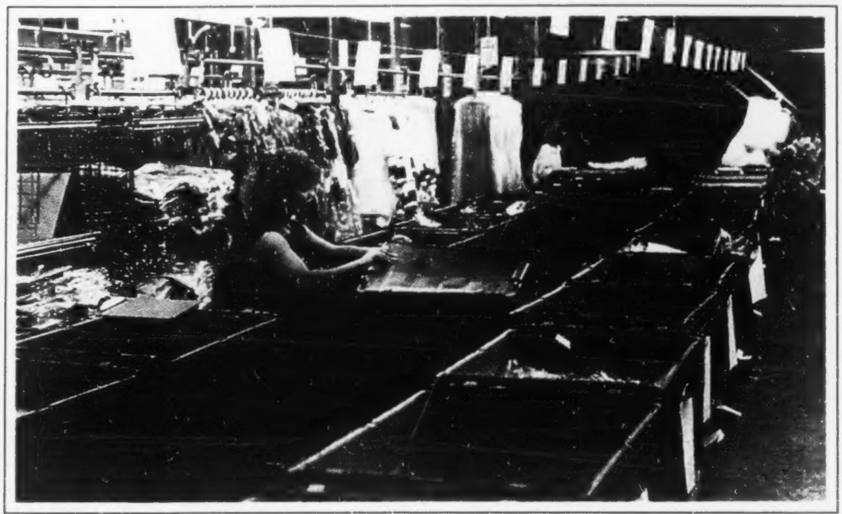
POLL SHOWS SHIFT TOWARD CUSTOMER SERVICE

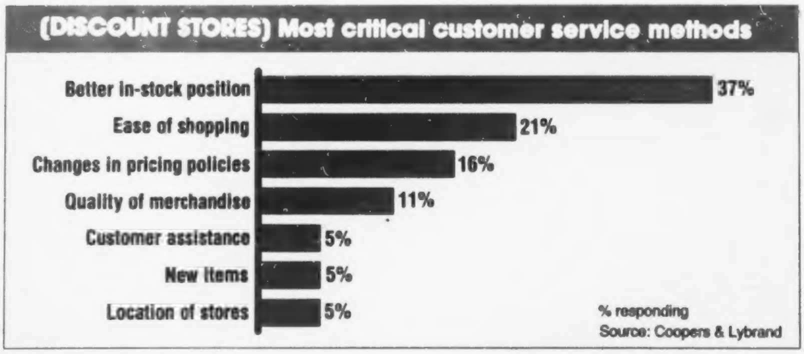
LOGISTICS PLANNING PLAYS KEY ROLE IN STRATEGY FOR THE '90s



***By 1993 apparel retailers** will increase automation and improve distribution center management.*

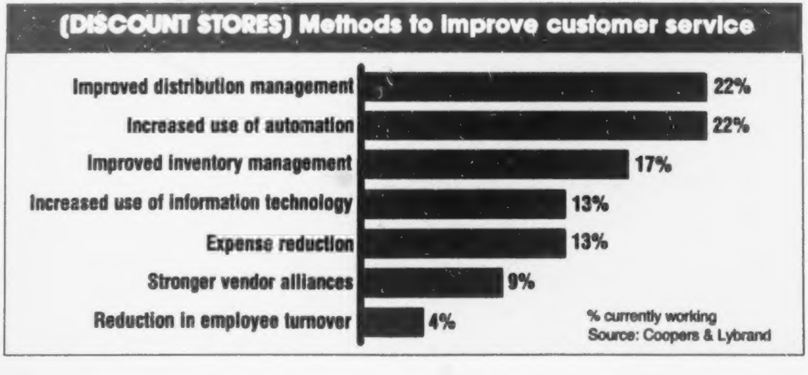
Being in stock on key items, maintaining the quality of merchandise, making it easy for customers to shop, and adjusting rapidly to different price strategies: These are the critical issues facing retail logistics executives who responded to a Coopers & Lybrand survey assessing retail logistics issues and trends.

The results of the survey demonstrate that retailers are paying more than just lip service to improved customer service. This signals a shift away from issues related solely to cost control and improved profitability, the major trend throughout most of the 1980s.



(DISCOUNT STORES) Most critical customer service methods

Source: Coopers & Lybrand



(DISCOUNT STORES) Methods to improve customer service

Source: Coopers & Lybrand

Instead, logistics executives are seeking to balance the desire to upgrade customer service with the continuing need to keep a sharp eye on expenses and profits. Exactly how retailers are working to maintain this balance was the subject of the Coopers & Lybrand study.

Participants in the survey include logistics executives representing discount stores, apparel specialty stores, department stores and supermarkets. The participants represent chains both large and small.

What all have in common is a recognition that logistics planning must be moved out of the distribution center and into the boardroom, where more strategic decisions can be made.

Discount retailers: When it comes to improving customer service, logistics executives in the discount industry report that bettering in-stock position, changing pricing policies, and increasing the ease of shopping are the actions considered most critical *(see chart 1).*

To deal with these issues, respondents report that they are improving distribution management and increasing the use of automation.

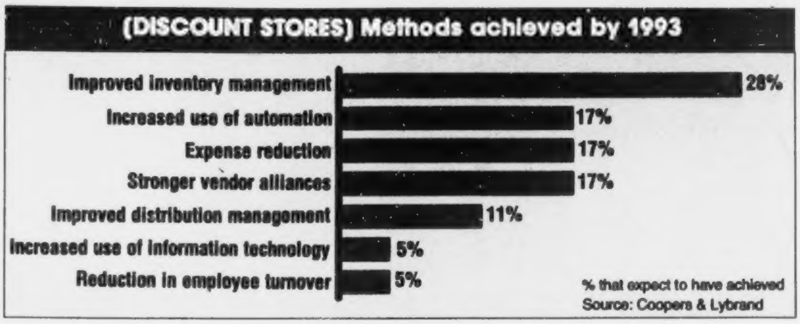
Improved inventory management, increased use of information technology and general expense reductions are methods also being pursued, but less vigorously *(see chart 2).*

It is in better inventory management, however, where discount logistics executives expect to see the greatest changes occurring by 1993. Over one quarter of the survey's discount participants expect to achieve significant improvements by then.

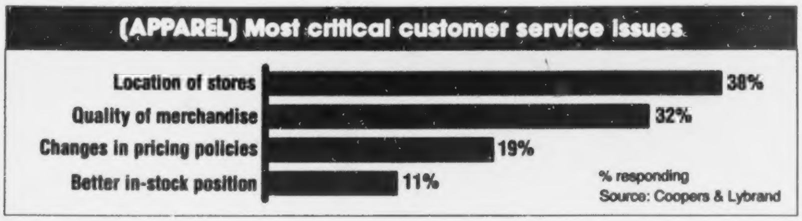
Other areas where changes are indicated include: the increased use of automation, reduction in expenses and the creation of stronger vendor alliances *(see chart 3).*

Establishing these alliances is likely to receive a much higher priority in the years ahead, since the ability to share information more quickly will be key quicker merchandise flow.

While discounters agree that reducing employee turnover is an important ingredient in bettering customer service, there is no evidence



Source: Coopers & Lybrand



Source: Coopers & Lybrand

that they will be much closer to solving the problem by 1993.

When it comes to the specific actions they are taking to improve inventory management, discounters are placing emphasis on:

☐ reducing network cycle time;
☐ improving merchandise allocation techniques;
☐ having merchandise assortments more responsive to individual store characteristics.

In the future, the ability to measure store/space productivity by sku/product line (along with the capability to have greater input from stores on merchandise selection) are areas that will receive greater focus, report the survey respondents.

As for improved distribution management, greater automation and increased utilization of technology are two methods being pursued. Joint vendor visits and service merchandisers are also being used, but to a more moderate degree.

In order to move merchandise from distribution centers to stores, both greater consistency of shipments and better scheduling of deliveries have been accomplished, according to the discounters surveyed.

They indicate that in the future 100% vendor/DC ticketing will become more important. There is little support, though, for increased use of weekend store receiving or bar-coded store receiving at the case level.

At the distribution centers themselves, retailers are using techniques such as post allocation of merchandise, pools stocks, flow through, and scheduled receiving to support improved logistics processes.

However, less than half of the respondents report that they are using techniques such as innerpack distribution, pick-and-pack, quality control, owned/leased trucks, or returns consolidation to gain any competitive advantages.

Regarding relations with vendors, more than half of the discounters routinely take action when it comes to late/early shipments or poor vendor performance.

The survey participants likewise report that when it comes to the vendor/DC interface, the most critical form of communication is notification of deliveries.

Throughout the discount store logistics pipeline, the increased use of information technology is likely to play a greater role in the future.

Opportunities include: expert systems, executive information systems, computer networking, telecommunications networking, electronic data interchange and the new data architectures.

To date, however, the major emphasis has been on automatic replenishment, user ad-hoc reporting, electronic data interchange and exception reporting.

At the same time, the increased use of automation is already adding efficiency and accuracy to the logistics process. Survey respondents cite, in particular, the use of bar-code reading devices at store level (although their use for DC applications remains limited).

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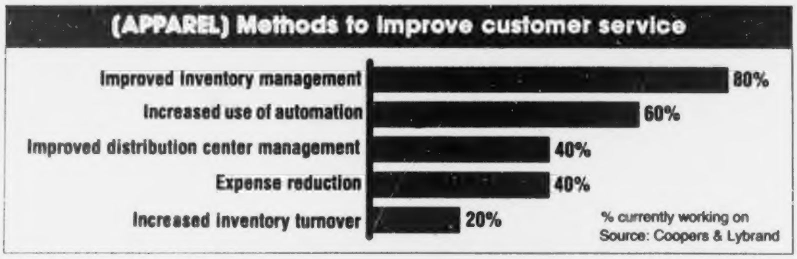

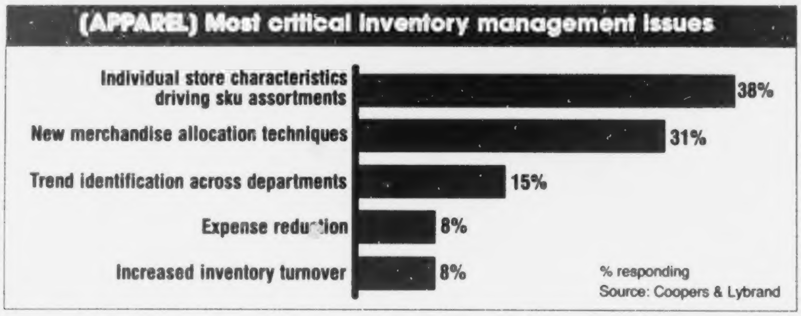

☐ convenient store locations;
☐ quality of merchandise;
☐ pricing policies.

Other aspects likely to receive greater emphasis include: better in-stock positions, ease of shopping and the increasingly perceived need to include more new and/or unexpected items in the merchandise mix.

To achieve these goals logistics executives report putting a greater concentration on improved inventory management, better distribution management, increased use of technology, expense reduction and stronger vendor alliances.

Specialty retailers believe that they are close to achieving better inventory management through the use of automation in DCs and in improved communication with their vendors *(see chart 5)*.

Apparel retailers report that by 1993 they will increase the use of automation and improve distribution center management.

Zeroing in on inventory management, retailers report that between now and 1993 significant improvements will be made in the following areas:

☐ reducing network cycle time;
☐ implementing on-line planning systems;
☐ identifing trends across departments.

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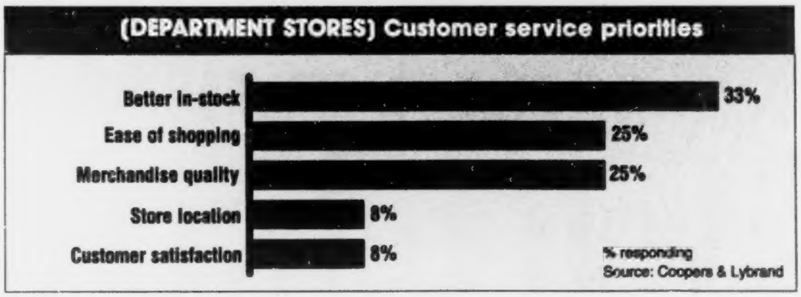
(DEPARTMENT STORES) Customer service priorities

Source: Coopers & Lybrand

For now, though, they believe their most critical tasks are to allow individual store characteristics to drive sku assortments, and to add new merchandise allocation techniques *(see chart 6)*.

Another area receiving emphasis is the use of information technology. Decision support systems, in particular, are being developed and utilized with increasing frequency. EDI and computer networking will be achievable in the near future, say the survey respondents, but they see relatively little need for new data architecture.

As for the use of bar-code readers, most believe that by 1993 this will be a reality in stores, but not in distribution centers.

According to the survey results, apparel retailers hope to achieve:

☐ a reduction of two days in vendor to selling floor cycle time;
☐ a 10% increase in on-hand inventory accuracy levels;
☐ a reduction of markdowns to a low of 20%;
☐ the lowering of operating expenses by up to 5%.

Department stores: Better in-stock positions, improving the ease of shopping and upgrading merchandise quality rank as the three most important issues facing department store logistics executives.

Improved inventory management, greater use of technology, reductions in employee turnover and better distribution management are all areas where additional efforts are taking place.

When it comes to achieving improved inventory management the department store participants are unanimous in their conviction that the most urgent goal is to reduce inventory markdowns. The actions they believe are most critical to achieve this are related to reducing network cycle time *(see chart 8)*.

At store level, methods they are using to help manage inventories include: bar coding of merchandise, POS, PLU and on-line sales history reports. A majority of the department store respondents negotiate overstock return privileges with their vendors to help keep inventories in check.

Over the next few years, automa-

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tion will come more into play as bar-code receiving at both the store and DC levels is installed.

In distribution centers, the move toward automation is well under way, evidenced by computer-directed putaway, greater use of radio frequency-based systems and automated movement of merchandise.

Supermarkets: The supermarket industry operators who participated in this survey were unanimous in agreeing that promoting ease of shopping needs to be their No. 1 priority in terms of customer service.

The second most critical issue they identify is the quality of merchandise, followed by store location, better in-stock positions and changes in pricing policies.

As for the role of logistics in dealing with these issues, supermarket retailers indicate that they are concentrating on improved inventory management, better distribution management, and decreased employee turnover *(see chart 9).*

An overwhelming majority believe that by 1993 they will have achieved superiority in their use of information technology, along with significantly greater utilization of automation applications.

These improvements are expected to result in a greater ability to tailor assortments to individual store characteristics, more efficient allocation techniques, and significant reductions in the entire network cycle.

Looking at more specific actions, reducing network cycle time is receiving the greatest emphasis, according to the survey participants.

Joint vendor/buyer visits and the use of service merchandisers to help reduce the time [illegible] are ingrained into most logistics cycles.

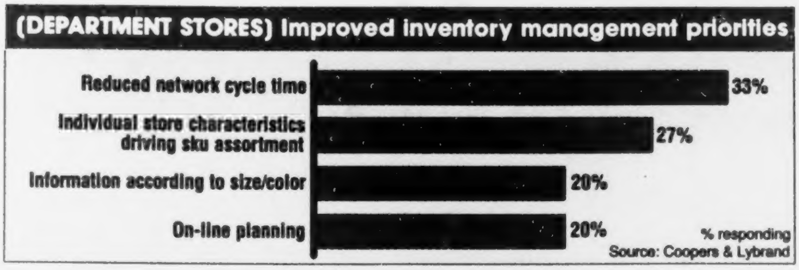
The availability of bar-coded cartons will be an important ingredient in improving the flow of merchandise. Scanning and sortations of cartons are systems already in place at the stores of about one-half of the respondents.

Other actions being aggressively pursued include upgrading systems capabilities such as:

☐ executive information systems;
☐ user ad-hoc reporting;
☐ electronic data interchange;
☐ computer networking.

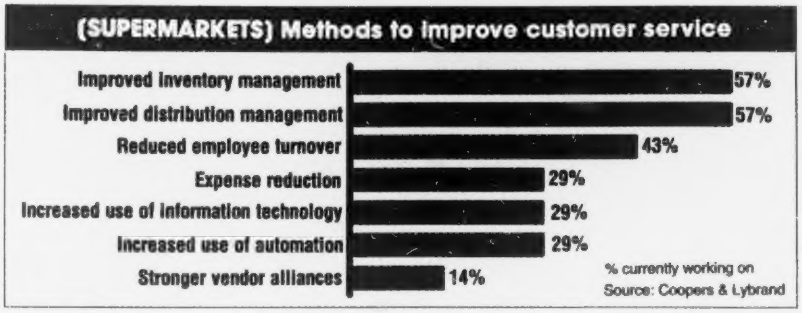
Trends the supermarket logistics executives expect to see include automatic computer-generated replenishment and new data architecture.

Supermarket distribution execu-



(DEPARTMENT STORES) Improved inventory management priorities

Source: Coopers & Lybrand



(SUPERMARKETS) Methods to improve customer service

Source: Coopers & Lybrand

tives believe that it will be possible for their industry to achieve an annual inventory turnover rate of 26 times.

They also believe that network cycle time can be cut by up to 5%, and that shrinkage can be maintained at 1%.

In the future: Squeezing time out of the logistics network, responding more to store characteristics through tailored merchandise assortments, finding new ways to listen to the customer, and holding the line on expenses will all be necessary actions for those who thrive in the 1990s.

These imperatives add up to a new, exciting era for U.S. retailers. But in order to benefit, they must be certain to carefully manage people, capital or time, particularly in the critical "learning curve" period between when their investment is made and when it begins to yield payback.

Those retailers who become aggressive agents of change, making certain that customers are truly being heard, and responding accordingly, will be the major beneficiaries in the always changing retail environment. ■

This report was researched and written by a team of retail distribution experts at Coopers & Lybrand headed by Marge Meek.

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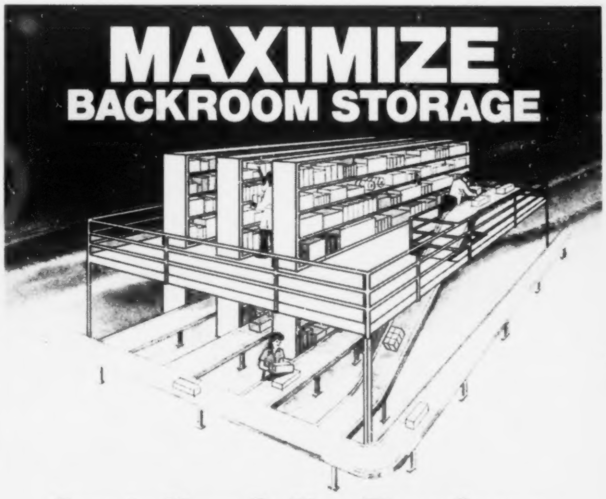

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SPECIALTY STORES BOAST BEST GAINS

A MODERATE MARCH FOR MOST MERCHANDISERS

Most of the nation's biggest retailers turned in gains for March that were moderate, at best. Some specialty retailers, however, continued their strong showings.

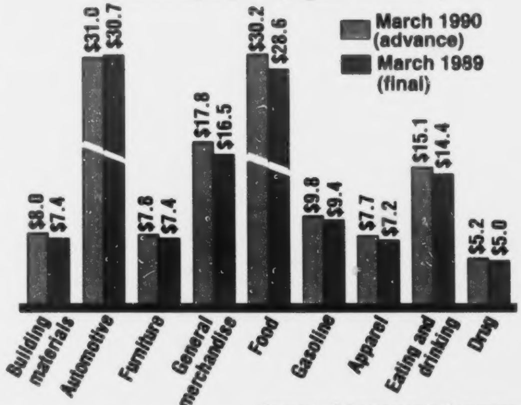
The Gap, for example, posted a 20.1% sales increase to $161 million. Gantos reported sales were up 14.4% to $23 million. Gottschalks department store, meanwhile, posted a rise of 18.3% to $21 million.

Except for Wal-Mart, which was up 26.5%, general merchandisers continued their soft trends. Sales at Woolworth slipped 1.1%, while results at Sears were up only 1.3%. March marks the first anniversary of the inception of Sears' everyday low pricing strategy. Ames Department Stores was hardest hit, as sales dropped 12.1% to $387 million, from $440 million. Comparable-store sales dropped 13.5%.

Sales at Mercantile Stores dropped 3.6%, to $204 million, and same-store sales were down 3.9%. At Montgomery Ward, sales increased 1.8%, to $399 million. Same-store results were not disclosed.

MARCH SALES

(Seasonally adjusted, figures in billions)



Source: U.S. Department of Commerce

CHAIN PERFORMANCE

Company	March '90 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,983,322	+1.3	+1.6	$5,110,156	+0.7	+1.6
K mart	2,725,141	+8.7	−1.1	4,629,866	+11.0	+1.1
Wal-Mart	2,428,000	+26.5	+12.0	4,379,000	+29.1	+14.0
Penney	1,351,000	+9.8	+8.7	2,231,000	+9.0	+8.0
Dayton Hudson	1,180,000	+14.6	+6.2	2,000,000	+14.2	+7.4
May	840,900	+7.5	+2.7	1,440,000	+8.8	+4.8
Melville[1]	687,137	+2.0	−3.8	1,616,942	+7.1	+1.1
Walgreen[1]	510,693	+8.7	+5.0	1,471,053	+11.6	+8.6
Woolworth	476,000	−1.1	−3.7	807,000	+4.6	+2.1
Ames	387,000	−12.1	−13.5	650,000	−7.5	−9.2
Ward	399,167	+1.8	N/R	698,168	+2.0	N/R
The Limited	426,800	+8.4	+4.0	744,900	+13.0	+9.0
Carter Hawley Hale	223,800	−1.9	−2.4	399,900	+2.0	−2.0
Mercantile	203,755	−3.5	−3.9	329,693	+0.2	−0.3
Circuit City[2]	159,300	+28.0	+6.0	159,300	+28.0	+6.0
Hills	196,000	+12.4	+5.7	311,997	+23.9	+12.8
The Gap	161,000	+20.1	+12.0	264,000	+23.0	+15.0
Rose's	116,227	+3.2	+0.1	228,931	+9.4	+5.3
Neiman-Marcus Group[3]	146,200	+5.2	+2.3	1,192,000	+14.3	N/R
Edison Bros.[1]	94,200	+5.1	N/R	161,000	+9.2	N/R
Jamesway	70,519	+6.0	+2.0	N/R	N/R	N/R
Ross	70,000	+6.0	-6.0	113,000	+7.0	−5.0
Dollar General	43,300	N/C	−4.5	81,700	N/C	−4.4
Best Buy[2]	51,000	+21.0	+4.0	51,000	+21.0	+4.0
Gottschalks	21,054	+18.3	+10.4	35,103	+22.0	+12.5
Claire's	20,915	+43.0	+7.0	34,875	+53.0	+14.0

[1] fiscal year ends Dec. 31
[2] fiscal year ends Feb. 26
[3] fiscal year ends July 31
N/R = not reported
N/C = no change

Source: Company reports

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FINANCE

SALES

	4th qtr. (000 omitted)	% change	YTD (000 omitted)	% change
CATALOG STORE CHAINS				
J.C. Penney*	5,344,000	+ 8.1	16,405,000	+ 7.3
Sears, Roebuck & Co.*	9,548,800	+ 0.	31,599,200	+ 4.4
DEPARTMENT STORES				
arter Hawley Hale[2]*	984,867	+ 5.8	1,643,635	+ 4.9
illard	1,126,573	+ 24.1	3,159,544	+ 19.2
ottschalks*	93,388	+ 28.6	236,765	+ 20.8
Jacobson's	130,592	+ 8.3	394,181	+ 10.6
R H. Macy[1]	1,709,203	+ 5.2	1,709,203	+ 5.2
May†	3,238,000	+ 11.1	9,526,000	13.4
ercantile	774,542	+ 1.1	2,312,802	+ 2.1
eiman Marcus Group[2]	541,094	+ 20.4	940,152	+ 20.4
ordstrom	857,483	+ 12.1	2,671,114	+ 14.7
rawbridge & Clothier	350,878	+ 8.7	950,306	+ 5.1
unkers	110,792	− 2.8	316,698	+ 1.0
ISCOUNT STORES				
st Products[3]	415,299	− 4.2	1,236,119	− 0.1
nsolidated	208,159	− 3.5	608,681	− 2.9
lar General	192,836	+ 1.0	615,148	− 0.4
ton Hudson	4,485,000	+ 9.4	13,644,000	+ 11.8
mily Dollar[2]	227,426	+ 16.3	434,210	+ 18.2
ils	719,876	+ 25.5	2,075,603	+ 24.2
amesway	287,537	+ 9.1	855,124	+ 9.3
mart	9,751,500	+ 15.9	29,532,700	+ 8.2
c 'N' Save	177,695	+ 10.4	475,210	+ 18.3
ose's	487,458	+ 9.4	1,507,560	+ 4.7
ervice Merchandise	1,402,865	+ 8.2	2,307,110	+ 6.9
al-Mart	8,107,486	+ 24.1	25,810,656	+ 25.0
S HOE/SPECIALTY CHAINS				
B wn Group†	483,354	+ 4.5	1,820,547	+ 6.7
E son Bros.*	367,100	+ 12.9	1,073,500	+ 16.9
G nesco	139,736	+ 8.5	492,248	+ 6.4
M ville	2,518,946	+ 9.9	7,553,971	+ 11.4
U. . Shoe*	758,298	+ 10.9	2,557,158	+ 9.1
W lworth	2,795,000	+ 9.8	8,820,000	+ 9.1
A PAREL CHAINS				
Cha ming Shoppes	242,720	+ 9.6	808,637	+ 11.5
Deb Shops	64,230	+ 0.5	201,900	+ 4.0
Des gns	27,613	+ 41.7	78,674	+ 36.4
Fre erick's of Hollywood[1]	21,647	+ 24.3	21,647	+ 24.3
Ga os	74,897	+ 32.5	238,156	+ 39.9
The Gap	545,131	+ 28.7	1,586,596	+ 26.7
Pau Harris	78,105	+ 15.7	235,978	+ 21.1
The imited	1,582,566	+ 16.7	4,647,916	+ 14.2
Mer y-Go-Round	184,619	+ 72.9	478,923	+ 60.2
One Price Clothing	29,333	+ 33.9	88,754	+ 39.1
Pet	387,868	+ 0.6	1,257,522	+ 3.2
OF -PRICE APPAREL				
Ban er's Note	12,705	+ 56.5	43,888	+ 19.5
Bur gton Coat Factory[2]	362,771	+ 18.3	494,335	+ 18.7
Clot estime*	44,961	+ 3.6	187,047	+ 9.1
Dres Barn[2]	68,371	+ 8.4	137,686	+ 11.2
oss	230,674	+ 14.5	734,164	+ 17.1
&K	22,196	+ 19.6	60,972	+ 16.3
ym	96,296	+ 7.1	300,078	+ 6.2
JX†	618,640	+ 9.1	2,148,735	+ 11.9
WA EHOUSE WHOLESALE CLUBS				
zm [3]	38,810	+236.6	87,670	+368.0
ost	978,434	+ 40.4	1,812,422	+ 42.0
ffic lub	47,377	+144.0	146,719	+181.7
ffic epot*	103,840	+113.1	314,587	+138.3
P ic	1,092,975	+ 5.6	2,909,530	+ 11.8
S a	57,892	+ 66.2	181,699	+ 86.4
W	556,992	+ 17.1	2,056,512	+ 24.4
W se Club[1]*	72,767	− 2.5	72,767	− 2.5
W le Club	192,769	+ 45.7	569,665	+ 41.7

N pplicable because of loss in either current or comparable period
N ange
*b raordinary items or changes in accounting principles
†c operations only
[1]fi r figures

EARNINGS

	4th qtr. (000 omitted)	% change	YTD (000 omitted)	% change
CATALOG STORE CHAINS				
J.C. Penney*	367,000	+ 24.0	822,000	+ 23.1
Sears, Roebuck & Co.*	368,600	NA	646,900	+ 2.5
DEPARTMENT STORE CHAINS				
Carter Hawley Hale[2]*	20,040	− 8.7	16,660	− 7.2
Dillard	85,517	+ 30.2	148,092	+ 30.1
Gottschalks*	5,754	+ 47.7	3,688	− 26.7
Jacobson's	7,708	+ 1.7	11,801	+ 6.9
R.H. Macy[1]	(33,120)	NA	(33,120)	NA
May†	283,000	+ 23.0	515,000	+ 15.0
Mercantile	58,641	+ 2.3	136,343	− 5.6
Neiman Marcus Group[2]	18,494	+ 33.5	30,393	+ 27.8
Nordstrom	31,422	− 33.9	114,909	− 6.8
Strawbridge & Clothier	25,626	+ 22.3	31,159	+ 14.3
Younkers	5,860	− 37.4	3,706	− 55.3
DISCOUNT STORES				
Best Products[3]	(30,871)	NA	(93,072)	NA
Consolidated	(4,552)	NA	(6,954)	NA
Dollar General	7,282	+ 22.9	12,377	+ 23.6
Dayton Hudson	250,000	+ 37.4	410,000	+ 42.9
Family Dollar[2]	9,276	+ 19.4	15,262	+ 15.7
Hills	27,360	+ 30.1	2,908	− 74.7
Jamesway	4,606	+ 23.7	5,785	+ 40.2
K mart	(20,500)	NA	322,700	− 59.8
Pic n' Save	14,526	− 38.9	30,876	− 34.2
Rose's	7,088	+ 9.7	8,926	− 45.4
Service Merchandise	74,241	− 7.9	71,991	− 5.9
Wal-Mart	425,862	+ 31.8	1,075,900	+ 28.5
SHOE/SPECIALTY CHAINS				
Brown Group†	10,606	+833.6	30,827	+ 2.3
Edison Bros.*	30,800	+ 18.5	61,200	+ 68.6
Genesco	7,975	− 16.2	18,871	+ 24.5
Melville	238,109	+ 16.0	398,076	+ 12.3
U.S. Shoe*	23,200	+ 10.0	56,587	+177.9
Woolworth	175,000	+ 21.5	329,000	+ 14.2
APPAREL CHAINS				
Charming Shoppes	10,657	− 37.4	36,410	− 4.6
Deb Shops	9,863	+ 10.3	17,640	+ 28.3
Designs	(189)	NA	(1,661)	NA
Frederick's of Hollywood[1]	407	+171.3	407	+171.3
Gantos	3,184	+ 12.3	4,947	+ 14.1
The Gap	34,205	+ 6.2	97,628	+ 31.5
Paul Harris	2,132	+329.8	1,939	NA
The Limited	153,087	+ 27.4	346,926	+ 41.5
Merry-Go-Round	11,010	+ 79.1	22,245	+ 99.3
One Price Clothing	1,352	+ 22.3	3,839	− 0.1
Petrie	19,642	+ 4.2	32,265	− 8.0
OFF-PRICE APPAREL				
Banker's Note	(860)	NA	(533)	NA
Burlington Coat Factory[2]	34,831	+ 25.3	30,770	+ 22.4
Clothestime*	(4,232)	NA	461	NA
Dress Barn[2]	1,792	− 62.8	6,188	− 37.8
Ross	15,117	− 7.4	29,840	+ 13.7
S&K*	1,473	+ 29.8	2,626	+ 21.7
Syms	8,886	+ 0.8	19,218	+ 2.6
TJX†	25,183	+142.9	86,754	+ 57.3
WAREHOUSE WHOLESALE CLUBS				
Bizmart[3]	435	NA	(1,660)	NA
Costco[2]	14,983	+ 79.3	21,844	+ 95.9
Office Club	573	NA	(2,372)	NA
Office Depot*	1,634	+507.4	5,941	+ 88.7
Price[2]	25,887	+ 1.3	70,208	+ 9.0
Staples*	2,030	+136.6	4,249	NA
Waban	7,186	+ 69.9	28,765	+ 67.0
Warehouse Club[1]*	306	− 41.8	306	− 41.8
Wholesale Club	4,759	+ 65.5	6,148	+ 35.0

[2]second quarter figures
[3]third quarter figures
[4]fourth quarter figures
Source: Company reports

FINANCE

SALES

	4th qtr. (000 omitted)	% change	YTD (000 omitted)	% change
HARD LINES CHAINS				
Best Buy[3]	198,286	+ 15.3	423,750	+ 5.7
Blockbuster Ent.	130,408	+ 97.3	402,538	+123.9
Child World	404,637	− 0.9	830,269	+ 2.9
Circuit City[3]	525,886	+ 21.1	1,405,473	+ 21.4
Claire's	78,310	+ 54.6	190,130	+ 49.4
Fabri-Centers	105,959	+ 17.4	333,347	+ 14.6
Helig-Meyers*	105,402	+ 18.6	393,408	+ 11.9
House of Fabrics	104,082	+ 30.2	357,392	+ 5.7
Lechters	63,139	+ 27.9	156,833	+ 29.9
Lionel	226,567	+ 2.8	428,848	+ 4.9
Michaels	104,078	+ 9.4	289,754	+ 16.1
Oshmans*	108,718	+ 4.2	317,197	+ 4.2
Pep Boys-M,M,J*	215,566	+ 28.3	798,691	+ 21.8
Pier 1 Imports[3]	131,349	+ 34.0	380,134	+ 25.5
Tandy[2]	1,456,588	+ 3.8	2,442,565	+ 4.4
Toys 'R' Us	2,328,481	+ 23.2	4,787,830	+ 19.7
Trans World Music	118,417	+ 14.6	312,808	+ 16.6
Williams-Sonoma	83,461	+ 30.0	218,171	+ 25.3
SUPERMARKETS				
Albertson's	1,940,071	+ 2.7	7,422,663	+ 10.0
A&P	2,567,724	+ 5.1	11,147,997	+ 10.7
American	6,142,156	+ 14.0	22,004,154	+ 19.1
Delchamps[2]	235,440	+ 4.6	470,143	+ 5.2
Giant Food	1,056,640	+ 9.3	3,248,942	+ 8.8
Eagle Food Centers*	307,440	+ 11.3	1,130,355	+ 6.0
Food Lion	1,530,492	+ 21.2	4,717,066	+ 23.6
Hannaford Bros.*	405,081	+ 14.5	1,520,600	+ 20.5
Kroger*	4,653,050	+ 0.1	19,103,671	+ 0.3
Marsh[3]	238,195	+ 11.5	757,616	+ 10.1
Penn Traffic*	787,802	+ 81.2	2,699,847	+128.8
Safeway*	4,515,000	+ 4.6	14,325,000	+ 5.2
Smith's Food & Drug	478,016	+ 20.8	1,731,559	+ 24.3
Village Super Markets[2]	174,001	+ 4.1	328,178	+ 4.6
Vons*	1,244,100	+ 5.7	5,220,700	+ 33.3
Weis Markets	323,971	− 1.1	1,239,272	+ 4.2
Winn-Dixie[2]	3,000,000	+ 7.0	5,100,000	+ 7.0
CONVENIENCE STORES				
Casey's General Store[3]	120,424	+ 20.6	381,949	+ 21.9
Circle K[3]	872,534	− 2.5	2,828,659	+ 10.4
National Convenience[2]	247,429	− 9.0	533,021	− 2.6
Uni-Marts[1]	57,963	+ 22.9	57,963	+ 22.9
DRUG STORES				
Arbor[2]	90,492	+ 12.0	169,669	+ 14.3
Big B*	132,667	+ 59.9	417,717	+ 54.0
Drug Emporium[3]	120,627	+ 20.3	354,235	+ 20.5
Fay's	161,685	+ 7.9	574,061	+ 9.0
Genovese	110,438	+ 2.5	405,126	+ 10.6
Longs	604,542	+ 10.0	2,110,574	+ 11.0
Perry[1]	179,090	− 2.8	179,090	− 2.8
Rite Aid†	857,601	+ 4.7	3,172,797	+ 10.6
Walgreen[1]	1,386,804	+ 14.5	1,386,804	+ 14.5
HOME CENTERS				
Grossman's*	182,494	− 63.9	1,052,095	− 7.8
Hechinger*	310,915	+ 26.4	1,229,572	+ 20.6
Home Depot	713,249	+ 35.9	2,758,535	+ 38.0
Lowe's	599,549	+ 5.3	2,650,547	+ 5.3
Wolohan Lumber*	64,915	+ 1.0	272,132	+ 5.6
NON-STORE RETAILERS				
Family Shopping Network[3]*	3,394	− 7.2	8,753	+ 12.3
Home Shopping Network[2]*	261,936	+ 26.2	517,163	+ 26.7
Lands' End	201,000	+ 6.3	545,200	+ 19.6
QVC Network	283,069	+319.1	453,325	+ 23.5
Spiegel	670,144	+ 19.4	1,695,806	+ 20.7
Lillian Vernon[3]	56,216	− 0.6	112,365	+ 10.0

EARNINGS

	4th qtr. (000 omitted)	% change	YTD (000 omitted)	% change
HARD LINES CHAINS				
Best Buy[3]	6,291	+ 77.0	5,594	+ 26.6
Blockbuster Ent.	15,625	+188.1	44,152	+151.9
Child World	20,226	− 11.7	5,883	− 53.2
Circuit City[3]	14,600	+ 6.9	42,187	+ 7.5
Claire's	11,727	+ 41.8	19,461	+174.2
Fabri-Centers	6,702	+ 66.2	8,760	+ 72.0
Helig Meyers*	3,921	+ 54.3	18,450	+ 8.1
House of Fabrics	5,595	+ 18.4	11,111	− 2.2
Lechters	7,139	+ 30.7	9,021	+ 28.9
Lionel	12,847	− 7.7	343	− 91.4
Michaels	(933)	NA	13	− 99.7
Oshmans	3,312	− 56.8	(580)	NA
Pep Boys-M,M,J*	8,454	− 16.1	35,063	− 7.0
Pier 1 Imports[3]	5,739	+ 32.5	19,752	+ 16.4
Tandy	117,633	− 12.9	180,387	− 9.8
Toys 'R' Us	241,769	+ 23.0	321,080	+ 19.8
Trans World Music	10,131	+ 23.0	13,337	− 1.3
Williams-Sonoma	7,227	+ 60.9	8,969	+ 72.3
SUPERMARKETS				
Albertson's	60,280	+ 16.2	196,551	+ 20.9
A&P	34,509	+ 12.8	146,698	+ 15.0
American	53,127	+162.6	118,129	+ 20.2
Delchamps[2]	2,806	NA	5,769	+114.2
Giant Food	38,782	+ 8.6	108,399	+ 10.6
Eagle Food Centers*	3,095	+ 43.6	10,548	+ 83.[illegible]
Food Lion	46,815	+ 36.4	139,775	+ 24.[illegible]
Hannaford Bros.*	7,859	+ 16.1	37,428	+ 29.[illegible]
Kroger	5,330	NA	(16,251)	NA
Marsh[3]	3,043	+ 21.0	9,025	+ 30.4
Penn Traffic*	(2,800)	NA	(27,055)	NA
Safeway*	3,000	NA	(21,000)	NA
Smith's Food & Drug	7,281	+ 54.6	26,131	+ 47.6
Village Super Markets[2]	1,609	+ 0.6	2,523	− 1[illegible].1
Vons	3,000	NA	(25,100)	NA
Weis Markets	24,084	+ 3.5	86,429	+ [illegible].6
Winn-Dixie[2]	41,800	+ 20.8	66,800	+ 2[illegible].0
CONVENIENCE STORES				
Casey's General Store[3]	1,970	+ 14.7	7,760	− 5.4
Circle K[3]	(28,133)	NA	(25,517)	NA
National Convenience[2]	(655)	NA	6,739	NA
Uni-Marts[1]	841	+ 1.1	841	+ 1.1
DRUG STORES				
Arbor[2]	3,658	+ 15.8	6,057	+ 28.1
Big B*	820	− 63.9	3,715	− 44.7
Drug Emporium[3]	1,400	− 19.1	5,530	+ 13.1
Fay's	3,515	− 26.5	10,363	+ 3.5
Genovese	656	− 74.3	2,771	− 49.8
Longs	18,905	+ 11.5	61,294	+ 9.7
Perry[1]	3,033	− 27.9	3,033	− 27.9
Rite Aid†	34,951	− 0.3	81,893	− 11.1
Walgreen[1]	28,662	+ 15.9	28,662	+ 15.9
HOME CENTERS				
Grossman's*	1,326	+126.3	17,644	[illegible] 33.3
Hechinger*	8,485	− 34.0	30,989	[illegible] 36.5
Home Depot	29,585	+ 56.6	111,954	[illegible] 45.9
Lowe's	10,121	− 14.2	74,912	[illegible] 8.3
Wolohan Lumber*	2,436	− 14.9	11,089	[illegible] 1.2
NON-STORE RETAILERS				
Family Shopping Network[3]*	(22)	NA	(38)	NA
Home Shopping Network[2]*	27,074	+137.3	11,818	+127.[illegible]
Lands' End	16,500	+ 2.5	29,100	− 9.[illegible]
QVC Network	3,362	− 21.0	6,347	− 29.[illegible]
Spiegel	49,490	+ 21.4	73,282	+ 28.[illegible]
Lillian Vernon[3]	5,857	+ 9.0	7,869	+ 39.[illegible]

N/A = not applicable because of loss in either current or comparable period
N/C = no change
*before extraordinary items or changes in accounting principles
†continuing operations only
[1] first quarter figures
[2] second quarter figures
[3] third quarter figures
[4] fourth quarter figures
Source: Company reports

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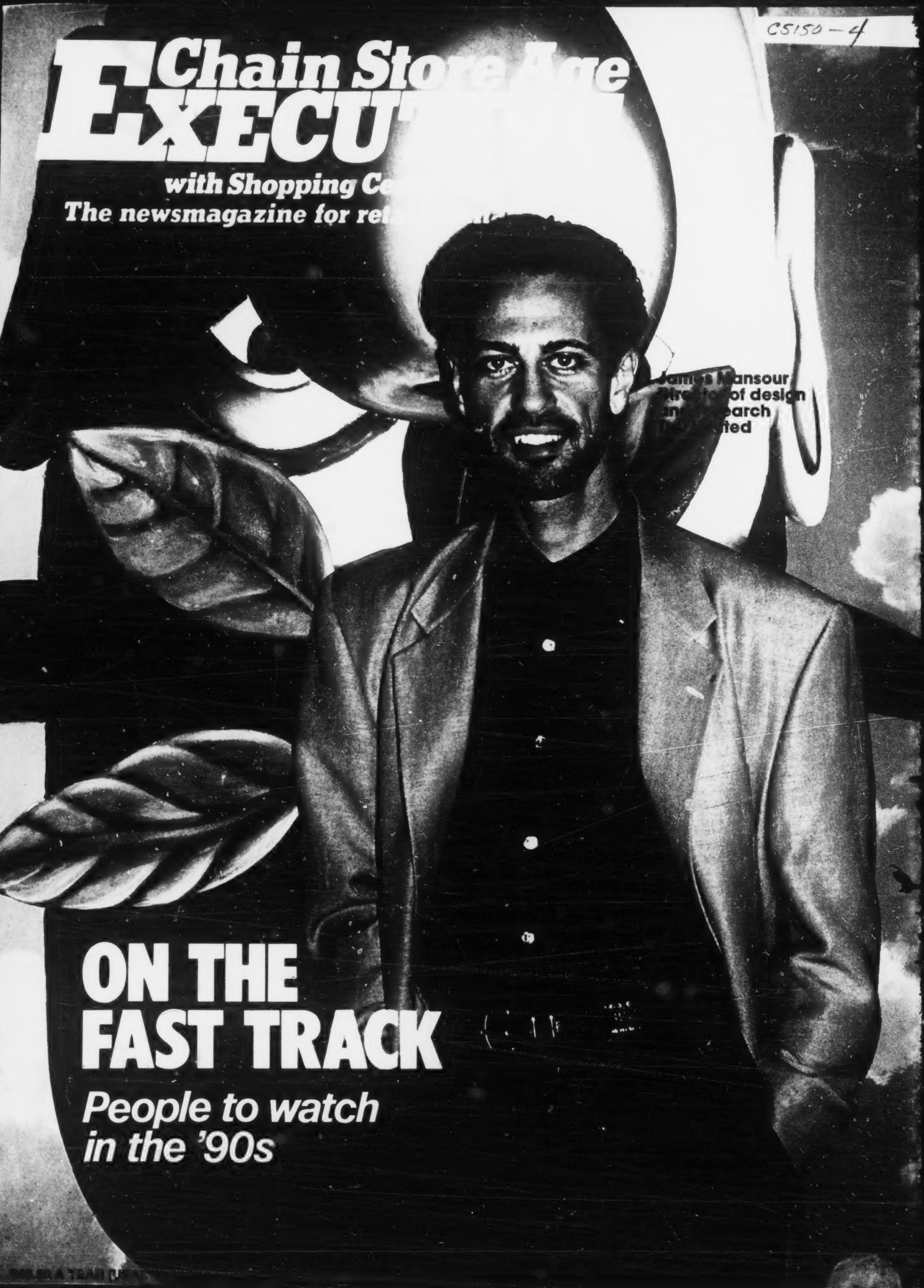

James Mansour
Director of design
and research
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ON THE FAST TRACK

People to watch in the '90s

[illegible] A YEAR (U.S.A.)

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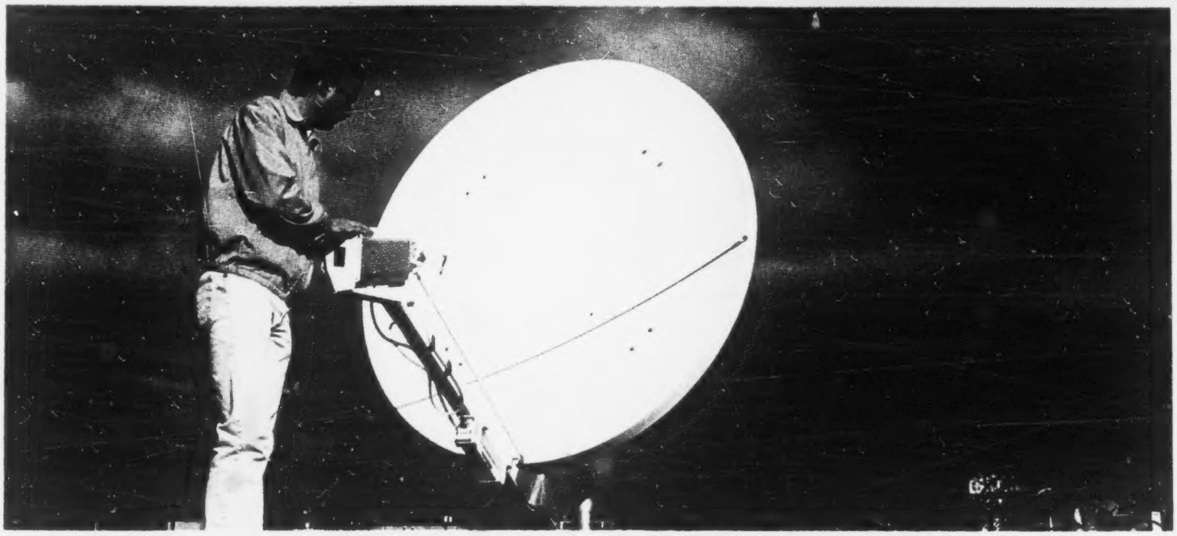

A NEW SIDELINE FOR HARTMARX

Hartmarx's satellite communications system is turning into a profit center of its very own. The menswear manufacturer and retail giant implemented the system in 1988 and will also use it to facilitate Quick Response. 45

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Vyzis is adding a 250,000-sq.-ft. strip center to Lakewood Mall in Tacoma scheduled to open this fall.

BUILDING DESPITE THE OBSTACLES

ANTI-GROWTH SENTIMENT, LOCAL RESTRICTIONS SLOW RETAIL DEVELOPMENT

A region with booming economy and a growing, increasingly affluent population searching for a better lifestyle should be mecca for a shopping center developer. That is, if the region isn't the Pacific Northwest.

The anti-growth sentiment, particularly in Seattle, has meant decade-long delays in getting some retail projects built. Citizens simply do not want the landscape, a major attraction of the area, altered.

Many are refugees from overbuilt and overpriced regions in California. Soaring home prices in the Los Angeles and San Francisco areas have meant that home owners can sell for a handsome profit, then move to a larger property farther north.

"We're the hub of the Pacific Rim trade component, we have a strong port facility and still have a lot of manufacturing here. We have a strong fishing industry. Fish caught in Alaska are processed in the Pacific Northwest," says Sherwood Korssjoen, president of Seattle-based Sherwood Group.

Tourism, too, is on the rise. Seattle will host the Goodwill Games this summer, prompting an even greater increase in visitors.

Seattle, in particular, has moved far beyond being dominated by Boeing and lumbering. "If you took Boeing out of the economy, we'd still be as good or better than the rest of the country," Korssjoen says.

Boeing, however, still is a mainstay of the local economy. With a 10-year backlog of orders and a 25-year cycle of airplane replacement, it should remain so into the next century, says Richard Eichler, president of Seattle-based Winmar.

Not coincidentally, technology firms such as Microsoft, unable to settle in Silicon Valley because of that area's high costs, are making Seattle and environs their home base, and attracting former Californians to the area. Towns such as Bellevue, that began as bedroom communities to Seattle, are now becoming urban areas in their own right.

Washington

1989 retail sales: $42,143,576,000
1989 population: 4,624,627
1994 population: 4,846,801
1989 median household income: $28,609
1994 median household income: $34,383

Source: Donnelley Marketing Information Services

Retirement communities: But not everyone is relocating because of work. "We're seeing a good many retirement homes being built in the region. The climate is quite good," explains Lawrence A. Rank, executive vp-shopping centers for Pan Pacific Development, Vancouver, B.C.

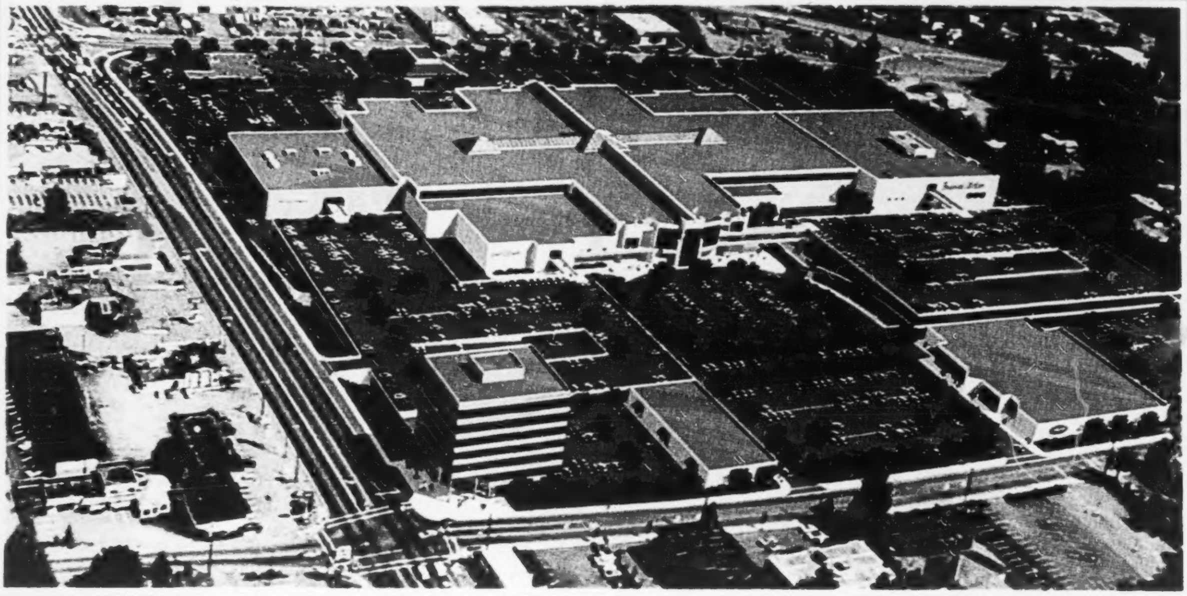
The firm is expanding Aurora Village center by nearly 350,000 sq. ft. The 700,000-sq.-ft. complex will reopen in summer 1992.

With all of this growth, retail should follow. But local governments are making shopping center construction difficult. It took 12 years for Winmar's Redmond Town Center mixed-use complex to get to groundbreaking (*see following story*).

Some of the delays are due to building restrictions, says Duco Haytema, leasing representative for Paramus, N.J.-based Roebling Management. The firm renovated and expanded its Everett (Wash.) Mall in 1988.

"New restrictions on building downtown are putting more pressure on suburban areas. Building will continue to be a struggle," Haytema says.

"Because of considerable competition, we're most interested in promotional centers across from regional



Aurora Village center, Seattle, is expanding by nearly 350,000 sq. ft. The 700,000-sq.-ft. complex will reopen in summer 1992.

malls," notes Harold Hofer, principal at Newport Beach, Calif.-based BHI-Dover. The management firm has three centers in the Northwest, including the 78,000-sq.-ft. Vancouver (Wash.) Park Place.

"The biggest problem is lack of developable land," says Michael Hess, vp-marketing at First Western Development, Lynnwood, Wash.

Hess believes that, as a result, developers based in the area do have an advantage. With a proven track record in the region and relationships with planning board members established, he says that local builders can anticipate requirements better.

"Every community has formed an environmental impact group. A local may have an advantage in that we can attend the meetings to get the 'feel' of an area."

Anti-growth sentiment may not be all that is forestalling development. Retailers also are being cautious about expanding into the region. The last major entry was Target three years ago.

"A tenant has to make a commitment for 7-10 stores to justify entering a region," says Ben Viloski, vp-real estate at Johnstown, Pa.-based Cafaro. The firm recently opened Short Hills Mall in Puyallup, east of Tacoma.

"The explosiveness already has occurred, so there probably should be something of a lull now," Viloski says.

Others may be waiting for the infrastructure to catch up with local needs. Seattle is serviced by just two superhighways; Tacoma and Spokane by one. By far, the dominant road is I-5, which runs the length of the West Coast. Only two interstates run through all of Oregon.

Add to this that geographic boundaries make access almost impossible to some areas, says David Cree, vp-retail development at Bellevue, Wash.-based Vyzis.

"The vacancy rate for the Puget Sound area overall is between 5%-8½%. That is misleading, because you almost never have a vacant anchor. For small shops, vacancy is running anywhere from 9%-24%," says Richard Muhlebach, president of TRF Management, Bellevue, Wash.

Many developers are concentrating on the hot Bellevue market. Opening in the summer is TRF's Lowrey's Center, 100,000 sq. ft. anchored by a Lowrey's supermarket.

Seattle
Metropolitan Statistical Area

1989 retail sales: $18,863,776,000
1989 population: 1,838,913
1994 population: 1,927,084
1989 median household income: $33,764
1994 median household income: $41,780

Source: Donnelley Marketing Information Services

Los Angeles-based Hapsmith plans the SuperMall of the Great Northwest. The 1.4 million-sq.-ft. main mall will be joined by 400,000 sq. ft. of perimeter stores and service shops. Construction will begin late this year or early 1991, with opening scheduled for fall 1992.

"Retail is lacking once you leave Seattle," Cree says. "While pockets outside the city are booming, retail hasn't really caught up."

Vyzis is adding a 250,000-sq.-ft. strip center to Lakewood Mall in Tacoma for opening this fall. Vyzis already had added a 750,000-sq.-ft. enclosed mall to a 550,000-sq.-ft. strip center in September 1989.

Vyzis is continuing to build, Cree says, simply because "we had the foresight to put projects in place 11 years ago."

Bellevue, Wash.-based Flemming is building Chehalis (Wash.) Village Shopping Center, a 185,000-sq.-ft. value retail project about 60 miles southwest of Tacoma. The project will feature a hotel, restaurants and entertainment area.

Not all Washington development is taking place in the Seattle/Tacoma axis. Spokane, too, is seeing growth.

"Spokane is a good-sized market with a stable population over the last three years," Cree observes.

"Seattle is starting to get crowded. Spokane is taking some of the overdevelopment of Tacoma/Seattle. In addition, Boeing is locating a new divi-

***Vancouver (Wash.) Park Place** is one of three BHI-Dover centers in the Northwest.*

sion in the town, which will cause pretty good growth," says Steven Bogden, vp-leasing at Salt Lake City-based Price Development.

The firm breaks ground on Spokane Galleria this summer for a spring 1992 opening. The 650,000 sq. ft. center will feature five anchors in Phase 1, with three more anchors to be added at a later stage.

Also in Spokane, First Western is building Northpointe Plaza, with a 450,000-sq.-ft. first phase opening in November. Anchors include Target, Shopko, Safeway and T. J. Maxx.

Boise, Idaho-based White-Leasure opened the 400,000-sq.-ft. Blue Mountain Mall in Walla Walla last fall. The center is anchored by J. C. Penney, Shopko, Sears and a Fred Meyer apparel store. Plans call for a discount drug store, market and theater to join the complex as outparcels.

Though Washington may be in a bit of a lull right now, international events could produce another building binge in short order.

The Free Trade Agreement with Canada should encourage even more trade between the region and nearby British Columbia. Seattle is only about a three-hour drive from Vancouver, B.C. As restrictions are eased, Korssjoen believes, the two

PORTLAND: FOLLOWING AN ORGANIZED GROWTH PATTERN

Within Oregon, the focus of development has been around Portland. Like Seattle, the economy of the state's biggest city has diversified and strengthened in recent years. Like Seattle, developers in Portland also face stiff zoning and environmental regulation.

"Portland definitely is growing, with a number of Japanese firms moving into the market," says Duco Haytema, leasing representative for Paramus, N.J.-based Roebling Management.

"The zoning rules by themselves create significant problems for commercial sites. The city has drawn the line on urban growth and will not allow sprawl. This creates tighter land opportunity," says Lawrence Rank, executive vp-shopping centers for Pan Pacific Development, Vancouver, B.C.

As in Seattle, careful controls may not be completely detrimental. "The history of Portland has been anti-growth to a point. But we're very organized when we do grow. The design review process may take longer, but it makes the project better," says Patrick Done, general manager of Pioneer Place.

Portland's newest downtown mixed-use project, Pioneer Place, was developed by Columbia, Md.-based Rouse. The retail center opened in March with 155,00 sq. ft. It provides upscale retail to the downtown region, Done says. A 60,000-sq.-ft. Saks Fifth Avenue will open in September.

"Demographics have changed in the city, particularly out in the western part, which has become a higher income area," Done says.

Indianapolis-based Melvin Simon & Associates is in the midst of a massive renovation of Lloyd Center in Portland. The 1.5 million-sq.-ft. center will have a grand reopening in spring 1991.

But most retail growth is in the suburbs, where large projects are being built. Gresham, once just bedroom community, is becoming a metropolitan area on its own.

Winmar is planning Gresham Town Center, with 850,000-sq.-ft. on two levels built around an existing light rail station. Plans call for five anchors attached to the center, with another freestanding. Ground will be broken next year for a 1993 opening.

The 122,000-sq.-ft. Halsey Crossing will open in Gresham in June, anchored by Safeway. Salt Lake City-based Price Development is the developer.

In Hillsboro, another Portland suburb, plans are well under way for Tanasbourne Center, a 75-acre mixed-use complex by Pan Pacific Development.

Tanasbourne Village, a 212,000-sq.-ft. strip anchored by Safeway, Payless Shoes and Fashion Bug, will be the first component of the project, opening in August 1990. Construction will begin in 1992 on a 900,000-sq.-ft., four-anchor mall.

Less development is planned for Eugene, the state's capital city to the south. Des Moines-based General Growth recently opened Gateway Mall in the suburb of Springfield. The 730,000-sq.-ft. center is anchored by Sears, Target and Emporium.

Price Development plans Springfield Crossing, with 95,000-sq.-ft. scheduled to open in November. Anchors Shopko and Safeway have recently opened at Price's 179,000-sq.-ft. Bailey Hill Village, also in Eugene.

Portland Metropolitan Statistical Area

1989 retail sales: $11,339,696,000
1989 population: 1,180,268
1994 population: 1,213,892
1989 median household income: $28,513
1994 median household income: $34,384

Source: Donnelley Marketing Information Services cities will form a crescent.

Winmar and Pan Pacific have opened the 440,000-sq.-ft. Cascade Mall in Burlington, Wash., about equally distant from both cities.

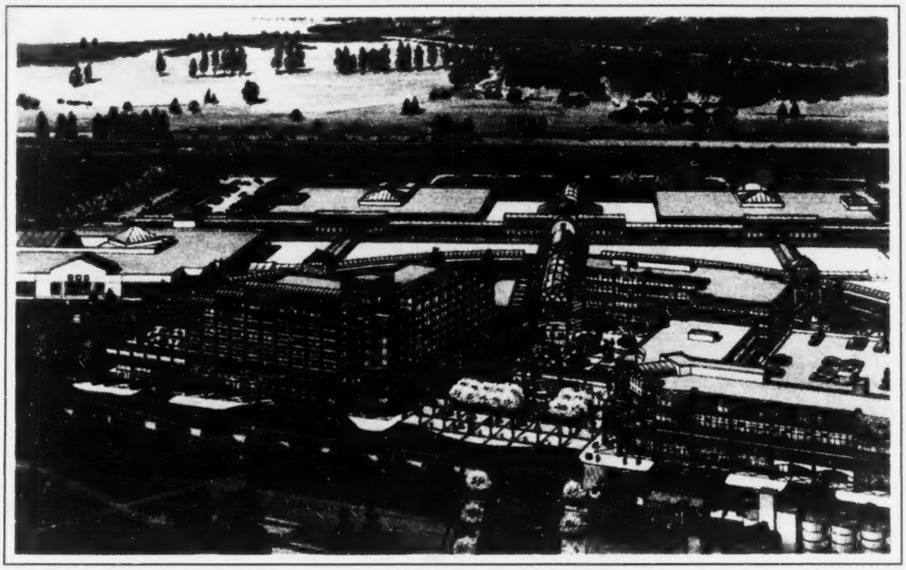
Des Moines-based General Growth has opened Bellis Fair, even closer to the border in Bellingham, Wash. Pan Pacific has opened Sunset Square, a 404,000-sq.-ft. power strip, in Bellingham.

Despite the difficulties, developers still are interested in building. What they are learning is that they must work with communities to make their construction possible.

"The good news is that people are aware [of benefits of building]. We're going to talk about improving infrastructure and housing. It's important to have equilibrium," Korssjoen says. ■

WORTH ITS WAIT

REDMOND TOWN CENTER UNDER WAY—AT LAST



It took 12 years to get the approvals to build Redmond Town Center.

It took 12 years and the shifting of property from one city to another to get one mixed-use project under way. But the scope of the project should make it well worth the wait.

With the annexation of Seattle-based Winmar's 120-acre site to the city of Redmond, Wash., the plans for Redmond Town Center are finally moving into high gear. Ground will be broken in July for a summer 1992 opening.

While many developers bemoan the lack of available sites in the region, getting the land was the easiest part of building Redmond Town Center.

The site was part of King County, and was shifted to the city of Redmond to permit the building of Redmond Town Center.

"The site really consists of two parcels—an old golf course and an adjacent site. Putting the two sites together took no time at all. It took 12 years to get the approvals to build," says J. Randy Kyte, assistant vp at Winmar, and the director of the project.

Kyte is quick to point out that a 12-year lead time no longer is unusual in the region.

The project is located immediately north of I-520, at the intersection of S.R. 202. Redmond Town Center will have five major access points: N.E. 170th, N.E. 166th, N.E. 164th and N.E. 159th Avenues, and a new Sammamish River Bridge.

Project components: The $200 million complex will contain a 1 million-sq.-ft. regional mall, 180-room hotel, 2,000-seat movie theater, 60,000-sq.-ft. of office space and an 85,000-sq.-ft. town square.

"It actually is an open plaza that will become the focal point for the town," Kyte says.

The two-level mall will be anchored by a 180,000-sq.-ft. Bon Marche, 150,000-sq.-ft. Frederick & Nelson, 82,000-sq.-ft. Mervyn's and a 125,000-sq.-ft. fourth anchor to be announced.

Plans include a 14-stall food court, gourmet market and 2,000-seat cinema. Two full-service restaurants also will be part of the town square.

The small store space will be in the moderate to better category, with rents expected to be in the mid-$30sper square foot, Kyte says. The figure is equal to that charged in other regional malls in the area, he says.

About 55,000 sq. ft. of convenience retail will be spread through the office and hotel portions of the project. No tenants yet are signed for the office buildings, Kyte says, noting that that component is still very much in the planning stages.

About 4,900 cars can be accommodated in both deck and surface parking. Only 20% of the parking spaces will be outdoors, per the city of Redmond's requirement.

Kyte says that the city had more than 30 extra conditions before issuing the permits to build. In addition to the town square, the city required that 60 acres of the site be preserved as green space.

Redmond's development began as an offshoot of the tremendous growth of the Seattle market over the last decade. However, it quickly is becoming a metropolitan area itself.

The Redmond area is rapidly becoming a high-tech center. Firms such as Microsoft, Willows, Rocket Research, Data I/O and Physio-Control are headquartered near the project.

While the population of Redmond proper is still rather small (30,000 people), the complex's trade area will contain more than 285,000 by 1995. The average household income was $56,108 in 1988.

"The east side of the lake area in Seattle became a bedroom community. Bellevue has grown up, and is a city in itself. Redmond is now starting to grow in its own right," Kyte says. ■

LATE EASTER SPURS APRIL GAINS

APPAREL SALES BENEFIT FROM UNSEASONABLY MILD WEATHER

A later-than-normal Easter selling season—which meant milder-than-usual weather—helped lure consumers back into the stores in April, giving the nation's largest retailers a much-needed sales boost, particularly in apparel.

The Gap maintained its strong pace, with a 31.4% increase and a 25% same-store gain. The gain comes on the heels of a 25% same-store hike last year. At The Limited, sales climbed 18.1%, to $362.5 million. Same-store sales rose 16%.

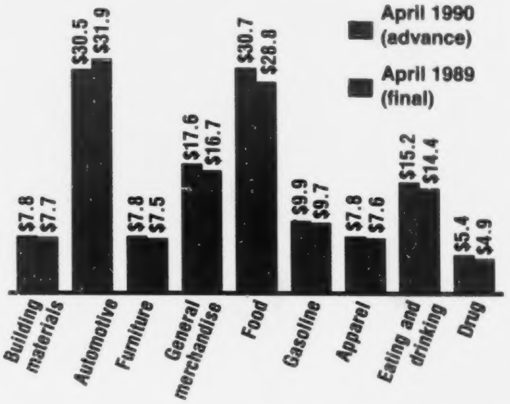
Carter Hawley Hale, still suffering from weak sales in the Bay Area because of last October's earthquake, posted only a 2.1% gain.

Growth at Sears remained slow, with revenues rising 1.6% overall, and 2.1% for comparable stores. J. C. Penney's sales dipped 1.6%, largely because a credit sales promotion held last year was not repeated this year.

Jamesway, benefiting from the Ames Department Store bankruptcy, posted a 24.8% sales gain. Ames did not report its results. The surging sales growth at Wal-Mart calmed a bit in April, jumping 20.2%. Wal-Mart's sales for the year to date are up 25.9%.

APRIL SALES

(Seasonally adjusted, figures in billions)



Source: U.S. Department of Commerce

CHAIN PERFORMANCE

Company	April '90 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,520,665	+ 1.6	+ 3.1	$7,630,821	+ 1.0	+ 2.1
K mart	2,415,124	+15.9	+ 6.3	7,044,152	+12.6	+ 3.0
Wal-Mart	2,383,000	+20.2	+ 7.0	6,762,000	+25.9	+11.0
Penney	1,040,000	– 1.6	– 2.8	3,271,000	+ 5.4	+ 4.3
Dayton Hudson	947,000	+11.8	+ 5.5	2,950,000	+13.5	+ 6.8
May	752,900	+14.2	+ 8.8	2,190,000	+10.6	+ 6.1
Melville[1]	618,676	+21.9	N/R	2,235,618	+10.8	N/R
Walgreen[1]	499,953	+17.2	+13.4	1,969,574	+12.9	+ 9.1
Woolworth	421,000	+21.0	+18.2	1,228,000	+ 9.7	+ 7.0
The Limited	362,500	+18.1	+16.0	1,107,000	+14.8	+11.0
Carter Hawley Hale	191,200	+ 2.1	+ 1.6	590,900	+ 0.8	+ 0.3
Mercantile	168,169	+ 9.0	+ 8.7	497,862	+ 3.0	+ 2.6
Circuit City[2]	154,800	+17.0	– 1.0	N/R	N/R	N/R
Hills	140,489	– 3.5	+ 0.3	452,486	+13.8	+ 8.6
The Gap	138,000	+31.4	+25.0	402,000	+26.0	+18.0
Rose's	124,170	+ 5.0	+ 4.2	353,123	+ 4.9	+ 4.9
Neiman-Marcus Group[3]	119,900	+15.1	+12.0	N/R	N/R	N/R
Edison Bros.[1]	87,000	+21.8	N/R	248,000	+13.3	N/R
Jamesway	71,366	+24.8	+20.0	187,119	+15.4	N/R
Ross	58,000	+ 3.6	– 5.0	171,000	+ 6.2	– 5.0
Dollar General	50,700	+11.6	+ 6.4	132,400	+ 2.8	– 1.9
Best Buy[2]	36,000	+20.0	+ 5.0	87,000	+19.0	N/R
Gottschalks	17,500	+19.9	+11.1	52,500	+21.0	+12.0
Claire's	18,645	+62.0	+24.0	53,520	+56.0	+17.0

[1] fiscal year ends Dec. 31
N/R = not reported

[2] fiscal year ends Feb. 28
N/C = no change

[3] fiscal year ends July 31

Source: Company reports

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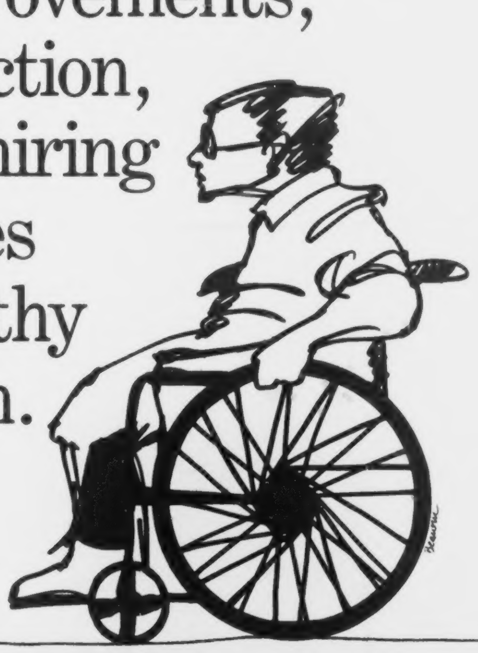
July 1990 ISSUED IN TWO SECTIONS

PHYSICAL SUPPORTS CENSUS

WITH ACCESS FOR ALL

Expensive legislation: Americans with Disabilities Act could cost millions in building improvements, new construction, revamped hiring procedures and lengthy litigation.



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COSTS UNDER CONTROL

Retail companies are keeping a tight lid on construction, fixturing and maintenance costs. The cost of building the average supermarket building shell, for example, gained only 10% (from $1.3 million to $1.4 million) in the last five years. Construction cost for a

Discount

Existing stores (average gross sq. ft.): 67,765 sq. ft.

Existing stores (average selling space): 54,144 sq. ft.

Stores opened 1989 (average gross sq. ft.): 62,600 sq. ft.

Stores opened 1989 (average selling space): 51,520 sq. ft.

Cost to erect building shell 1989: $21.31 per square foot

Source: *Chain Store Age Executive*/Leo J. Shapiro & Associates

Drug

Existing stores (average gross sq. ft.): 16,008 sq. ft.

Existing stores (average selling space): 12,934 sq. ft.

Stores opened 1989 (average gross sq. ft.): 13,643 sq. ft.

Stores opened 1989 (average selling space): 10,833 sq. ft.

Cost to erect building shell 1989: $34.32 per square foot

Source: *Chain Store Age Executive*/Leo J. Shapiro & Associates

Supermarket

Existing stores (average gross sq. ft.): 32,295 sq. ft.

Existing stores (average selling space): 24,383 sq. ft.

Stores opened 1989 (average gross sq. ft.): 41,288 sq. ft.

Stores opened 1989 (average selling space): 29,521 sq. ft.

Cost to erect building shell 1989: $34.09 per square foot

Source: *Chain Store Age Executive*/Leo J. Shapiro & Associates

department store shell increased a more modest 8%. For comparison, retail sales (excluding automotive) during the same period grew 31%, according to the U.S. Department of Commerce.

These are some of the conclusions of the *Chain Store Age Executive* Physical Supports Census, an exclusive poll of major retail companies that annually surveys construction, fixturing and maintenance costs.

The poll, conducted by Chicago-based Leo J. Shapiro & Associates, questioned officials from 118 retail companies, about equally divided among supermarket, department, drug, discount, apparel specialty and home center operators.

Companies that participated in this year's Physical Supports Census operate 12,987 stores with sales that exceed $40.8 billion.

Included among the respondents are premier companies in every retail category: Vons, Winn-Dixie, Bloomingdale's, Dayton Hudson, Walgreens, F&M Distributors, The Gap, Edison Bros., Venture and Roses all participated in the poll.

Among major physical support systems in the census, only floor maintenance costs have outpaced the rate of sales gains in the last five years. According to the survey, the cost of floor maintenance has jumped from an average 21¢ per square foot in 1985 to 59¢ today.

The price tag for interior signage, in contrast, has gained a more modest 30%, from 36¢ per square foot five years ago to 47¢ in 1990.

Cost for heating, ventilation and air conditioning systems have hardly increased at all. In 1985 respondents in the Physical Supports Census reported spending $1.39 per square foot for HVAC. In the current poll, they say costs have edged up to $1.48—an increase of only 8%.

Interior lighting costs, meanwhile, have actually dropped in the last five years. According to the survey, retailers spent an average $1.20 per square foot for lighting in 1985. This year the price has dropped to $1.11.

Not surprisingly, lighting costs were highest in apparel specialty stores ($1.92). Following were drug ($1.03), department ($1.03) and discount stores (94¢).

Other changes noted in the poll include some significant differences in construction preferences. Retailers in the most recent survey report using single-ply membrane roofs with the greatest frequency.

Five years ago, retailers said that they used built-up roofs most frequently. Fabric roofs hardly gained a mention in the 1985 Physical Supports Census. In the current poll, 10% of the companies use them.

Just as in the 1985 survey, carpet and vinyl are the top flooring choices. Making strong gains, however, are concrete, quarry tile, hardwood, terrazzo and marble.

As a rule, stores are smaller than they were five years ago. The average supermarket, says the poll, now measures 32,295 sq. ft. In 1985, the typical supermarket was 39,390 sq. ft.

Other retail formats experienced similar downsizing. In the five-year period, the average department store dropped to 133,409 sq. ft. from 138,920 sq. ft. Discount stores, which measured 71,720 sq. ft. in 1985, are now a more trim 67,765 sq. ft. ■

Home Center

Existing stores (average gross sq. ft.): 27,779 sq. ft.

Existing stores (average selling space): 22,890 sq. ft.

Stores opened 1989 (average gross sq. ft.): 31,147 sq. ft.

Stores opened 1989 (average selling space): 26,568 sq. ft.

Cost to erect building shell 1989: $27.71 per square foot

Source: *Chain Store Age Executive*/Leo J. Shapiro & Associates

Department

Existing stores (average gross sq. ft.): 133,409 sq. ft.

Existing stores (average selling space): 101,791 sq. ft.

Stores opened 1989 (average gross sq. ft.): 141,909 sq. ft.

Stores opened 1989 (average selling space): 111,966 sq. ft.

Cost to erect building shell 1989: $33.76 per square foot

Source: *Chain Store Age Executive*/Leo J. Shapiro & Associates

Apparel Specialty

Existing stores (average gross sq. ft.): 10,068 sq. ft.

Existing stores (average selling space): 8,457 sq. ft.

Stores opened 1989 (average gross sq. ft.): 6,786 sq. ft.

Stores opened 1989 (average selling space): 5,822 sq. ft.

Cost to erect building shell 1989: $42.96 per square foot

Source: *Chain Store Age Executive*/Leo J. Shapiro & Associates

WACCAMAW PUTS PRODUCTS IN BEST LIGHT

ILLUMINATION LEVEL OF PRISMATIC FIXTURES BRINGS OUT TRUE COLORS

Last year, when Waccamaw opened a home decor superstore in Knoxville, Tenn., the retailer installed Holophane prismatic glass lighting fixtures as an alternative to a more commonly used fluorescent system.

Although costs figured into the decision, appearance and lighting uniformity were the most important considerations, says Paul Reynolds, Waccamaw corporate engineer.

"Our costs are actually less with the prismatic fixtures, because we needed fewer of them than we would have needed if we had used fluorescent," Reynolds explains.

Waccamaw opted for prismatic glass fixtures as an alternative to fluorescents.

[illegible]

	Discount	Drug	Super-market	Depart-ment	Home Center	Apparel Specialty
Lighting	$ .94	$1.07	$ .96	$1.03	$ .81	$ 1.92
Fixtures	9.30	7.88	13.17	9.93	5.83	11.25
Flooring	1.75	1.69	1.56	3.61	1.07	3.49
Ceilings	1.07	1.50	2.02	2.80	1.08	2.39
Roofing	1.53	2.31	2.61	2.22	1.84	N.A.
Floor maintenance	.21	.62	.69	.48	1.06	N.A.
HVAC	1.36	1.93	1.60	1.21	1.44	N.A.
Interior signage	.32	.56	.41	.29	.31	.83

N.A. = Not Asked

Source: *Chain Store Age Executive/Leo J. Shapiro & Associates*

"If we had needed the same number of lamps, the prismatics would have cost more. That wasn't necessary because the illumination level of the prismatic fixtures is much higher than it is with fluorescents."

Despite the cost benefit, Waccamaw's main goal in installing the prismatics was to bring out the true colors of the merchandise—particularly the linens—"to make them more attractive to our customers and ultimately increase sales," he says.

Waccamaw, based in Myrtle Beach, S.C., is a chain of 22 stores in the Southeast and Midwest which feature categories such as glassware and cooking accessories, wicker and brass items, pottery, silk flowers, toys and linens.

Most stores are located in regional malls, and average 75,000 sq. ft. The company's sales for 1989 are estimated at $184 million.

In the 100,000-sq.-ft. Knoxville store, Waccamaw installed Holophane Prismalume luminaires in the base retail area, with PrismGlo fixtures at the retail perimeters and over the cash registers.

Eliminates 'cavern': The Prismalumes are integrally ballasted high-intensity discharge prismatic glass reflector luminaires designed to create a uniformly-lighted environment in a range of low to medium mounting heights. The fixtures provide 20% uplight to reduce ceiling contrast and eliminate the "cavern" effect that can occur in large areas.

The PrismGlo fixtures provide 60% uplight, which is meant to create better vertical to horizontal balance.

As Reynolds explains it, the prismatic fixtures have a very thick glass that helps them distribute light better. "If we had used fluorescent lighting in a store like this with an open ceiling, it would have required dropping the fixtures very low to the floor, which wouldn't have looked good."

With the prismatic fixtures, he says, "We like the control we have over the lighting, and the way the light is distributed," Reynolds says. "There are no dark spots on the ceiling, the walls, or the floor. Light goes up and then is redistributed down at different angles."

Average lifespan for physical support systems (mean years)

	Discount	Drug	Super-market	Depart-ment	Home Center	Apparel Specialty
Lighting	15	12	14	10	11	9
Fixtures	11	13	11	8	11	8
Flooring	11	11	12	8	13	6
Ceilings	15	14	13	21	13	10
Roofing	18	14	14	17	16	N.A.
Floor maintenance	7	6	8	7	10	N.A.
HVAC	15	12	16	18	13	N.A.
Interior signage	7	5	9	5	6	4

N.A. = Not Asked
Source: *Chain Store Age Executive*/Leo J. Shapiro & Associates

With fluorescents, "You can't really direct light to the ceiling. Light goes straight down, so you get a concave effect where the ceiling is dark."

When a store has a dark ceiling, he says, it has the appearance of being a dark store, even if it's very bright on the floor. "If the ceiling is bright, it lights the whole store up. You can actually have less illumination on the store, but it appears to the human eye like it's more."

The Waccamaw stores have white open-end ceilings, and white walls with a strip of blue signage that identifies individual departments. The floors are concrete with urethane coating. The white ceiling base helps direct light up and down, and distributes light better on the floor area, Reynolds says.

Mounted 20 ft. on center, the Prismalumes are at approximately 16 ft. heights, with the PrismGlos at 14 ft. heights.

Reynolds says vertical lighting uniformity is particularly critical on the store walls, where the merchandise bins are actually taller than on the rest of the floor. PrismGlo, he says, directs light vertically on the bins so there is no need for supplemental fluorescent lighting, except under the gazebos.

Although Holophane luminaires were originally intended for retail areas, Reynolds says Waccamaw likes the quality so much that PrismGlos have been installed in the company's warehouses, where a wide distribution of light is required.

Waccamaw has devised a routine relamping schedule to replace the 400-watt metal halide prismatic lamps before their illumination levels begin to decline, Reynolds says. The average length of time for relamping is two and a half years, comparable to the replacement time for fluorescents.

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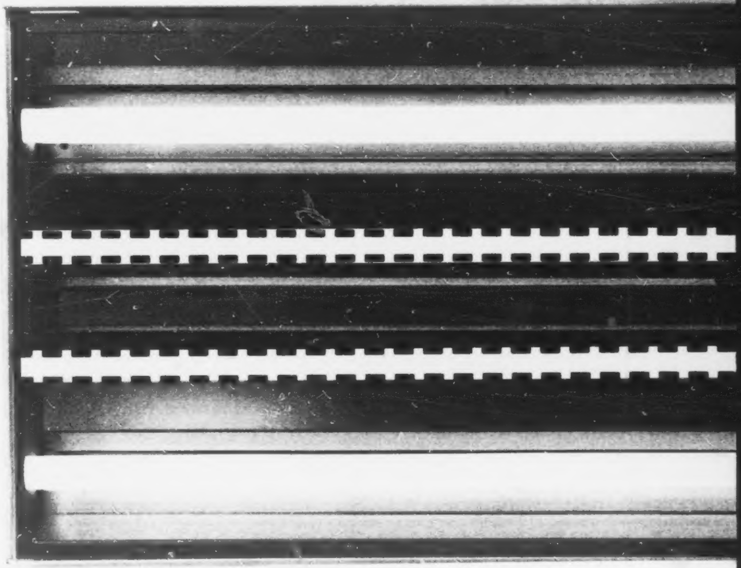

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Reynolds says Waccamaw relamps whole groups of fixtures whenever they reach 80% of their life expectancy. "It's cheaper to do the relamping all at once, rather than one by one. The mortality rate variance is minimal.

"Also, it's very important with these types of lamps that you don't lose a light. You have fewer fixtures, so one lamp going out has a big effect on your overall presentation than would be the case with fluorescents, where you have more fixtures."

No other maintenance is performed on the prismatics, since their design makes dust accumulation minimal, he says.

Waccamaw intends to use the prismatic luminaires in all of its new stores. The company's goal is to open 6-8 new stores a year during the next 3-6 years.

"We feel the prismatic glass fixtures really highlight both the stores and the merchandise," says Reynolds. "Customers have commented that even from the outside of the facilities, they have been awed by the overall appearance of the stores." ■

UPBEAT IMAGE FOR KIDS STORE

BOLD COLORS ACCENT WARD'S FUN CONCEPT

There is nothing quiet about Montgomery Ward's Kids Store. From the colorful, striped awning outside to the bold interior signage, Kids Store is marked by a lively and fun atmosphere. The design and ambience reflect the store's contemporary fashion image.

"This is an exciting concept for us, and it was important that everything work together to explain what Kids Store is all about," says Robert Frechette, vp/gmm, children's apparel, Montgomery Ward.

Kids Store is an integral part of Ward's value-driven specialty store positioning. It made its debut in 1988 as an in-store shop and is now in place in nearly 300 Ward stores.

The company expanded the concept in 1989 with the addition of six freestanding Kids Stores in the Chicago area. Although Ward refuses to comment on any future store openings, management says it is pleased with performance to date.

"The stores are meeting our expectations," says David Barnes, director of Kids Store.

With an average of approximately 12,000 sq. ft., Kids Store features infants' and children's clothing and accessories from birth to age 12.

"Kids Store is positioned below the department stores and chains, but above the discounters," says Frechette. "Our merchandise assortment, which is a good mix of fun fashion and basics, and competitive pricing reflect that positioning."

Lively atmosphere: Kids Store's contemporary merchandise is matched by its lively decor and upbeat ambience. Video screens and specially-designated "play stops" are located throughout.

A tiled racetrack aisle directs traffic through the store. Carpeting is used in the merchandise areas.

Atlanta-based Abrams, a subsidiary of Abrams Industries, manufactured nearly all of the fixtures and hardware used at Kids Stores. Another subsidiary, Abrams Construction, executed the construction.

"The two divisions formed a joint partnership in order to produce a complete turnkey package for Ward," says John Elgin, vp-sales and marketing, Abrams Fixture. "By working as a team, we were able to streamline and coordinate what is traditionally a fragmented process."

According to Elgin, the fixturing was directly impacted by the coordinated way in which Kids Store was put together.

"The unique aspect of the fixturing is that it was conceived as part of the overall design of the store," Elgin adds. "Consequently, all of the fixtures were designed with the necessary installation and construction requirements as well as merchandise requirements."

Ease of installation was an important priority. "These fixtures literally snap together," says Elgin. "It only takes us about one day to put the center floor together. The entire store can be set up and made ready for merchandise in about one week."

Colorful design: With their striking design and bright colors, the fixtures complement and enhance Kids Store's lively atmosphere. Among the most eye-catching are bright yellow wire grids that are hung on the walls and used as merchandise frames.

"We hang the grid off a tube that is bound to the wall as part of the decor," says Elgin. "It's a bold look and it makes for a powerful merchandising statement."

Linear fixturing with head-on feature racks on the aisles is also featured. Instead of the traditional 48-in. display modules, Abrams used 42-in. forms.

"The 42-in. module lends itself much better to face out display groupings," says Elgin.

A metal system is used to delineate the various departments. The metal tube is painted gold with blackberry highlights. The upfront cash wrap and service counter features white plastic laminate with blackberry stripes.

In a switch from the traditional backroom location, the store manager's office is located in this highly visible spot. A raised platform allows the manager to have a complete overview of the store.

Colorful in-store signage provides strong brand name and category delineation.

"We have made the store as easy to shop as possible," says Elgin. "The signage is very eye-catching and it clearly identifies each department."

The fixturing, along with the signage, create a highly effective merchandising environment that is bright and appealing, adds Elgin. ■

Types of fixtures used

	Discount	Department	Apparel Specialty
Small racks	88.2%	77.3%	65.0%
Large racks	76.5	81.8	80.0
Gondolas	94.1	72.7	25.0
Glass cubes	70.6	81.8	60.0
Show rooms	5.9	50.0	5.0

Note: Totals more than 100% due to multiple responses

Source: *Chain Store Age Executive*/Leo J. Shapiro & Associates

DESIGN FLEXIBILITY AND EASY MAINTENANCE

MODULAR CARPETING GOES THE DISTANCE AT ALL ABOUT SPORTS

***Heavy-duty traffic** at All About Sports requires tough, yet high-tech, design.*

Van Leunen's believes in sticking with a sure thing. The Cincinnati-based discount retailer has been using modular flooring since 1984. Flexible and easy-to-maintain, the soft flooring is featured throughout the company's stores, including its jazzy All About Sports division.

"Our experience has been that modular carpeting is far superior to traditional carpeting in every way," says Chuck Holland, vp-construction, Van Leunen's. "It wears well and is long-lasting."

Modular flooring is composed of soft tiles. Because the tiles are specifically designed to hug the floor, they can be fixed in place without a permanent adhesive.

"Depending on the particular tile and the layout of the store, we may have to use a special light, non-permanent adhesive in certain areas so that the carpet doesn't shift," says Peter LePage, vp-sales and marketing, Heuga USA. The Cartersville, Ga.-based company provides Van Leunen's with its modular system.

For its six All About Sports stores (the company is investigating additional locations), Van Leunen's selected a tile specifically designed for heavy duty use (FlorS).

"The stores sell a variety of sporting goods, ranging from exercise equipment to sneakers," says Holland. "They needed a floor that would accommodate heavy traffic."

The tile has a high-tech look that complements the store's modern design. The dark charcoal background color of the tile is accented by light gray, red and blue.

"All About Sports stores have a very contemporary look with interior and exterior graphics, bright colors and bold graphics," says Holland. "The flooring is an integral part of the overall design, which lends itself very well to the merchandise on display."

Flexible: Holland is impressed by the design flexibility of modular flooring. "It's easy to change the pattern of the tile and imprint logos and graphics," he says.

Modular carpeting allows even wear by rotating various sections of tile

LePage says that some retailers create power aisles with modular carpeting by laying red tile for special sale or seasonal events.

"With modular flooring, you are not locked into a set design," he explains. "A retailer can change the appearance of the store at a minimum cost through easily installed borders, accent areas or feature presentation areas."

According to Holland, modular flooring has a number of other advantages not found in most conventional broadloom carpet products. Chief among these are reduced maintenance costs and cost-effective replacement.

"With modular carpeting, we only have to replace the areas that need replacement," says Holland. "Instead of buying a new carpet, we just replace the damaged or stained tile."

This type of selective replacement is more cost-effective than the all-or-nothing replacement of most conven-

Types of flooring used

	Discount	Drug	Super-market	Depart-ment	Home Center	Apparel Specialty
Hardwood	11.8%	—	20.0%	68.2%	10.5%	55.0%
Terrazzo	23.5	20.0%	30.0	36.4	15.8	15.0
Carpet	76.5	70.0	15.0	90.9	31.6	80.0
Quarry tile	17.6	15.0	50.0	50.0	10.5	35.0
Vinyl	35.3	65.0	55.0	68.2	68.4	70.0
Concrete	29.4	30.0	45.0	36.4	63.2	25.0
Marble	—	—	—	72.7	—	25.0
VAT	—	5.0	15.0	36.4	10.5	10.0

Note: Totals more than 100% due to multiple responses
Source: *Chain Store Age Executive*/Leo J. Shapiro & Associates

tional hard-surface floors, Holland adds. Modular carpeting also allows retailers to promote even wear by rotating various sections of tile.

"Approximately 80% of carpet wear takes place in only 20% of the floor," says LePage. "Rotation allows a retailer to distribute the wear and tear of customer traffic more evenly over the entire surface. It improves overall appearance and extends the life of the floor by as much as 40%."

"The flooring in some of our stores has experienced almost seven years of wear and it is still looking good," he says. "In fact, we expect to get another seven years out of it."

Easy to maintain: Unlike other flooring systems which often require expensive outside services for maintenance, modular tile can be maintained in-house, says LePage. In addition, very little downtime is required for carpet refurbishment.

"Retailers are able to replace portions of their floors during normal store hours," he adds. Modular flooring is installed later in the construction cycle than traditional floors.

"Our product can even be put down after the fixtures are installed, which eliminates the risk of the carpet's being exposed to soiling and damage from construction," LePage says. "Because it can be installed very precisely, you only buy for the areas that need floor covering. Modular carpet tiles have a much lower waste factor than traditional flooring."

LePage admits that modular tile has a higher initial acquisition cost than traditional systems. That fact has not stopped Van Leunen's from installing modular tiles in all its stores.

"It's the only type of carpeting we use," says construction vp Holland. "It is more expensive at the outset, but it definitely pays for itself over time. Given its cost-effectiveness and design flexibility, I'm surprised that more retailers aren't using modular flooring." ■

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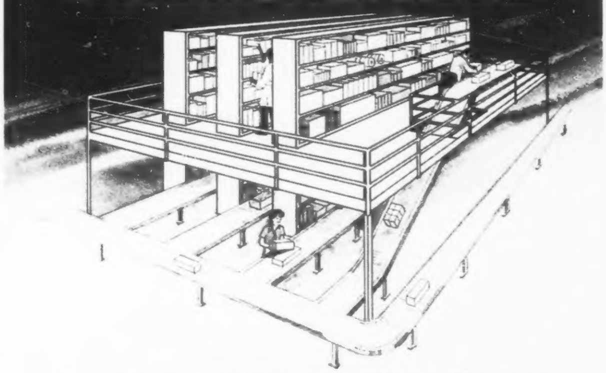

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SHOE STORE CEILING DESIGN IS LOOKING UP

ATHLETE'S FOOT USES TWO DIFFERENT SYSTEMS FOR ITS HIGH-TECH IMAGE

Adding visual interest to a store ceiling is never an easy feat. The effort is especially challenging for shoe store retailers whose primary focus is to get customers to look down, not up.

The Athlete's Foot is known for its bright red running track that places an emphasis on floor-level footwear. But to attract passing shoppers into the chain's enclosed mall locations, The Athlete's Foot puts a high priority on fashionable ceilings.

"A lot of retailers ignore ceiling treatments. Our competitors typically use standard ceiling tile," says Rob Lalumia, director of construction for The Athlete's Foot, Atlanta. "Our store has a high-tech look. Ultimately, the ceiling brings the whole store together."

The Athlete's Foot now uses two different ceiling system designs: a cell ceiling system and a screen system. The screen-ceiling system consists of 4-in. panels. These panels define the ceiling plane without sacrificing the spacious feeling of a higher ceiling. They conceal lighting, HVAC and sprinkler systems.

The Athlete's Foot is beginning to make a transition from screen systems to cell systems in every new store or remodel, Lalumia says.

With an average of 30-50 store openings annually, The Athlete's Foot needed a ceiling system that can be quickly and easily installed, Lalumia explains.

"We typically change out the ceiling as a lease-required remodel comes up," Lalumia notes. "Generally, that is how we determine a remodeling timetable for a store. We may remodel earlier if allowed by the landlord.

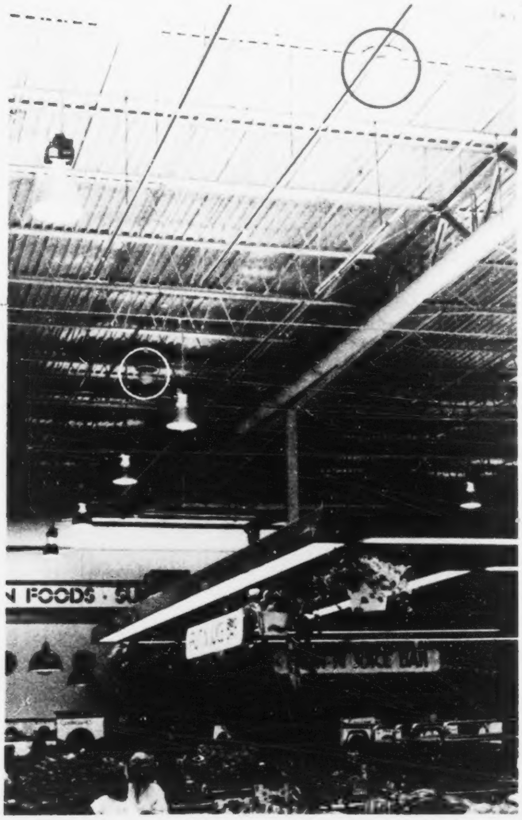
"One of the things that moved us to the cell is that it is a much easier installation than the baffle," Lalumia says. "It lays in like a tile lay-in ceiling. That makes for a much easier installation."

The silver-gray cell creates a smooth, single-plane ceiling. The cell modules effectively mask the plenum area above the ceiling. The open cell structure creates the feeling of a higher ceiling while masking the plenum from any viewing direction.

The Athlete's Foot chose cell sizes that fit in with its typical 1,800-sq.-ft. store. Standard cell sizes range from 3 in. by 3 in. to 24 in. by 24 in.

The two different Athlete's Foot ceiling systems are manufactured by Hunter Douglas Architectural Products, Duluth, Ga.

Lynn Rice, director of sales and marketing for Hunter Douglas, says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Comments Mr. Hartley on the Sun Foods store, "The Lowell store has approximately 76,000 square feet and is the largest supermarket in New England. It contains 24 checkout counters....

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Types of ceilings used

	Discount	Drug	Supermarket	Department	Home Center	Apparel Specialty
12x12 concealed spline	11.8%	—	—	18.2%	—	10.0%
2x4 lay-in panels	88.2	75.0%	95.0%	63.6	52.6%	65.0
2x2 lay-in panels	5.9	40.0	25.0	54.5	5.3	55.0
Tegular 2x4 lay-in panels	5.9	20.0	5.0	22.7	15.8	35.0
Tegular 2x2 lay-in panels	—	5.0	—	22.7	5.3	35.0
Plaster	5.9	5.0	15.0	22.7	10.5	45.0
Acoustical	29.4	35.0	10.0	40.9	26.3	30.0

Note: Totals more than 100% due to multiple responses

Source: *Chain Store Age Executive*/Leo J. Shapiro & Associates

that a clip system makes the panels easy to remove and replace. Typically, four small clips suspend the panel. The clips connect to the main runner suspended from a member.

"From a maintenance standpoint, clips keep the ceiling looking the same in alignment for the life of the system," Rice says. The metal cells require little, if any, maintenance. "You are talking vertical surfaces, and typically you don't get a lot of soil collection on a vertical surface," Rice says.

Moreover, "materials can be easily dusted—although I've never seen one that has required it," Rice says.

The only required maintenance occurs above the ceiling, involving the changing of a light fixture, for example. "Or access may be required to gain access to heating and ventilating equipment," Rice says. "You can put that ceiling back in place and make sure it looks good, not tipped or out of alignment."

The cell design is appropriate to renovation projects because the ceiling cells may be combined with an existing grid system.

The Athlete's Foot considers its ceilings to be part of the larger store decor package. "Our store has an international look," Lalumia says, adding that the retailer is owned by Rallye, the retailing conglomerate headquartered in Brest, France.

There are more than 500 corporate and franchise stores internationally. Locations are now in Australia, Asia and Europe and will soon include Canada and Mexico.

Focus groups: To keep its design standards on the leading edge, The Athlete's Foot regularly holds focus group meetings. Participants take an overall look at the chain's store design as well as its merchandise and service, Lalumia says.

"People do identify with the whole look of Athlete's Foot"—including its ceilings, he says.

Rice asserts that the typical lay-in suspension system for 2 ft. by 4 ft. tile "is pretty boring stuff—it is the developer's standard product." He believes a better design is a decorative ceiling.

"A retailer has to establish some sort of identity and attractiveness to bring people into the store," Rice explains.

"Retailers are competing against other shoe retailers. The more attractive the store looks to the people walking by, the more chances you have that people will stop as they walk by. It is called curb appeal."

"A mall is different from a strip center, where people go for a purpose," Rice says. "In a mall, retailers need to spend money to draw people into their store."

Rice continues, "If a retailer is not trying to do something visually different, they are going to go the way of dinosaurs. They may get by without a decorative ceiling. I am not going to tell an account that [installation of] my ceiling is going to increase a store's revenues. Not any one element is going to do it. It has to be the overall visual impact and merchandising scheme. If a retailer is not considering a signature store design, he certainly ought to be looking at one."

The cell ceiling has a long lifespan. "The metal is going to last forever if maintained properly. It is not going to deteriorate," Rice says.

"The issue is how often you go through a store-design cycle. And the ceiling does have some salvage value. It's made out of aluminum which can be recycled, unlike other materials that must go to a landfill. Seventy-five percent of all our materials are recyclable." ■

COOL MOVE: MAN-MADE RAIN

SPRAY SYSTEM KEEPS TEMPERATURES DOWN

Temperatures will be comfortable inside a Venture discount store in Overland, Mo., this summer, thanks to a spray-cooling system installed on the roof.

Two years ago employees complained that interior temperatures sometimes reached 80°F on hot days. Company officials blamed the problem on undersized HVAC mechanical equipment.

Faced with the costly choices of either adding extra HVAC or more roof insulation material, officials chose an unusual third option—a roof-mounted Evaporative Spray Roof Cooling (ESRC) system.

The ESRC system provides an intermittent spray of water as the roof temperature rises during the day. The water cools the roof, resulting in energy savings because air conditioning equipment does not work as hard.

The ESRC system's main components are a digital controller, PVC piping and a proprietary brass sprayhead. Piping is clamped to wood blocks set into the roof surface. The controller monitors the surface temperature and regulates spray rates.

The spray is activated when roof temperatures rise above a predetermined set-point. The hourly spray rate on the roof is less than one-half gallon of water per square foot.

Venture is now determining whether to use ESRC in a second store. While ESRC worked well last summer during its inaugural season, last fall's deactivation created some problems during the winter.

When workers drained the pipes, some vestiges of water remained. The workers were supposed to use an air compressor to blow out the pipes, according to system manufacturer Rainmaker Cooling of Houston. When it came time this past spring to reactivate the system, workers found 12 breaks in the pipes caused by leftover water freezing and expanding.

Meanwhile, Venture's former parent, May Department Stores, St. Louis, is also investigating ESRC technology. Dan Keuss, corporate engineering manager for May, says he believes ESRC systems would work best in new-store construction as opposed to retrofits.

Regional paybacks: Keuss estimates that the payback period would be about four years for retrofitting an existing May department store in the Midwest with a ESRC system.

May is planning to test ESRC on a new department store in the New England market because "in that particular locale there is a rebate from the local electrical utility," Keuss says.

May is also considering using it on Volume Shoe's distribution center in Topeka, Kan., Keuss says, explaining that "The DC roof is metal and has no insulation."

The key to the Rainmaker ESRC system is its programmable controller that evaluates surface conditions and tracks temperatures. The controller determines how much water will evaporate in a given amount of time and then applies that amount to the roof.

"There is a gridwork of pipe laid out on the roof. We use sprayheads that throw water in a 40-ft. diameter circle. The sprayheads can throw a half-circle or quarter-circle on two sides. They also can throw a 40-ft.-wide stream that is 2 ft. wide between equipment," says Ken Robinson, president of Rainmaker Cooling.

"With the ESRC system, we keep the roof about 5° above the ambient temperature all day," he explains.

For retailers, the evaporative spray roof cooling is relatively inexpensive. "Typically, air-conditioning equipment cost a minimum of $800 a ton, or $1,000 a ton installed," Robinson says.

"I can install a roof-spray system for half the initial cost of air-conditioning equipment. The operating cost is 90% cheaper."

ESRC systems are somewhat controversial. "Roofers are the biggest drawback," Robinson says. "They give warranties and then void them. But it is not water that damages the roof. It is the thermal expansion and contraction that causes roofs to leak. We need enlightened roofers. Keeping the roof near the ambient temperature keeps its expansion and contraction lower." ■

Types of roofing used

	Discount	Drug	Supermarket	Department	Home Center
Single-ply membrane	70.6%	75.0%	45.0%	68.2%	42.1%
Built-up roof	70.6	50.0	55.0	54.5	57.9
Metal	35.3	25.0	20.0	13.6	52.6
Fabric	—	10.0	20.0	4.5	15.8

Note: Totals more than 100% due to multiple responses
Source: *Chain Store Age Executive*/Leo J. Shapiro & Associates

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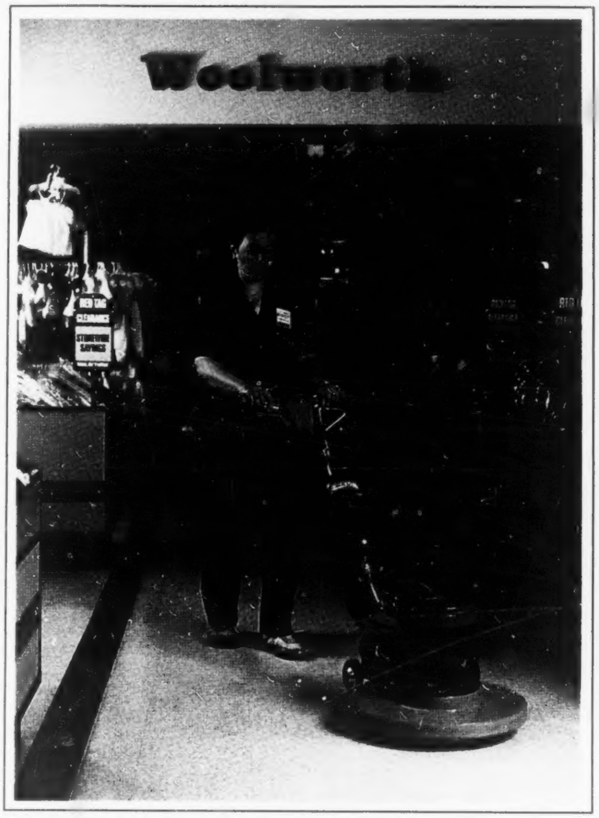
WOOLWORTH ‘RESPONDS’ TO SHINIER FLOORS

MAINTENANCE SYSTEM UPGRADES LOOKS, CUTS LABOR COSTS

Imagine switching to a floor care system that not only makes the floors look better, but also cuts down on labor costs. New York-based Woolworth managed to do that. The retailer is now using the Respond floor care system to achieve a brighter shine on its tile and terrazzo floors.



Respond’s system *requires less buffing and polishing time.*

“The system has improved the way our stores look, and as far as I’m concerned, it was worth switching to just for that,” says Doug Meima, construction buyer, Woolworth.

But Respond has provided an added benefit, he says. “Because of its ease of use and effectiveness, our people actually spend less time buffing and polishing than they used to.”

The Respond system, a creation of Tennant Trend, Niagara Falls, involves a Powerline floor machine, two pads and a chemical. “It’s like a Simonizer for a car—it cleans and polishes,” Meima says.

“Of course, you have to start with a basically good floor that has a good base coat, which means two sealers and three coats of wax. And the maintenance with Respond must be daily,” Meima says.

Respond’s high speed floor machine delivers the control, weight and speed needed to maximize performance, Meima says. It includes a shock-absorbing clutch-plate system, triple planetary gears, and a torque-reducing offset handle design.

The floor machine operates at 300-400 rpm, with heavy concentrated weight on the pad. Woolworth uses a 20-in. model, which has an average speed of 320 rpm and weighs 102 lb. Because the 20-in. model has a larger radius than the 17-in. model, it has a greater peripheral speed and produces more heat to perform faster.

A pressurized spray attachment is mounted on the machine and emits a wide precision spray pattern that is adaptable to rear or front spray. The spray attachment has a rotational molded polyethylene body, two-liter capacity, and mounts to the machine without tools.

Key to the system are specially-designed pads and drive assemblies

One-step process: The emulsion contained in the spray attachment is a formulation of solvents, polymers and waxes that deep cleans and refinishes in one step. It has little odor, a high coverage rate, is non-yellowing, and is compatible with most floor finishes.

The polymer floor finish is a hard finish. Like most hard finishes, it has its advantages and its disadvantages.

The advantages are that it makes the floor more durable under foot traffic, gives it a brighter mop-on shine, requires no buffing to enhance the shine, and does not allow soils to embed in the surface. Overall, it requires fewer routine hours to maintain appearance.

The disadvantages of a hard finish are that it can be scratched by abrasive soils, it can be black marked more easily than a soft finish, it is more difficult to remove when required, and it needs spray-buffing or a scrub/recoat to enhance the shine in worn areas.

Because of these disadvantages, the Respond system emulsion also has a natural, or soft, finish. The benefits of this finish negate some of the liabilities of the hard finish. For example, the soft finish helps scratches and black marks buff out easily, is easily removed when required, and offers very little surface resistance when buffing.

Also contained in the emulsion is a water-based cleaner (this attacks the water soluble soils on the floor during application) and an oil-based solvent (which attacks oil-based soils that water won’t touch). This mixture of oil and water is the reason why the emulsion must be shaken up before use, assuring that all components are in suspension.

Technically, the emulsion is an all-surface finish. However, quarry tile, asphalt tile, wood and terrazzo floors must be properly sealed before it can be used. The reason is that these floors are porous, and the benefit of the program would be lost in the absorption of the finish.

Key to the system are the pads and pad drive assemblies which are specially constructed for use with Respond. The blue pads lift and actually hold soil—they don’t shed soil back onto the floor in the form of dust. They fill evenly across the full surface, rather than glazing on the edges, and can be cleaned after use by applying hot water under pressure.

The green pad is the polish pad, and is used after the blue pad is applied. It delivers shine in a single pass.

The pads have an open weave design and a consistent thickness. They are packaged 10 to a carton. Since color denotes procedure, there is no need for guesswork.

On the high-speed pad driver, a special foam cushion eliminates the wobble that is associated with some high-speed machines. This increases safety and reduces operator fatigue. A spring-loaded shock absorber protects the motor and gearbox, allows easy mount and dismount of the driver, and reduces clutch-plate breakage.

Robert Gorsky, accounts manager, Tennant Trend, says the goal of Respond is a wet-look final appearance, produced through a program that requires a minimum amount of labor.

The goal is also to eliminate the intensive labor/cost requirements of conventional restoration—stripping, scrubbing and recoating, he says. ■

HOME DEPOT KEEPS ITS COOL

PC MONITORING MAINTAINS CPU PERFORMANCE

“From an energy management viewpoint, the No. 1 problem in a mass-merchandising home center is infiltration of outside air,” says Jim Laird, corporate energy manager for Home Depot.

Energy management is an especially timely issue for the Atlanta-based warehouse home center retailer. In 1989, Home Depot opened its first unit outside the Sun Belt, in New Jersey.

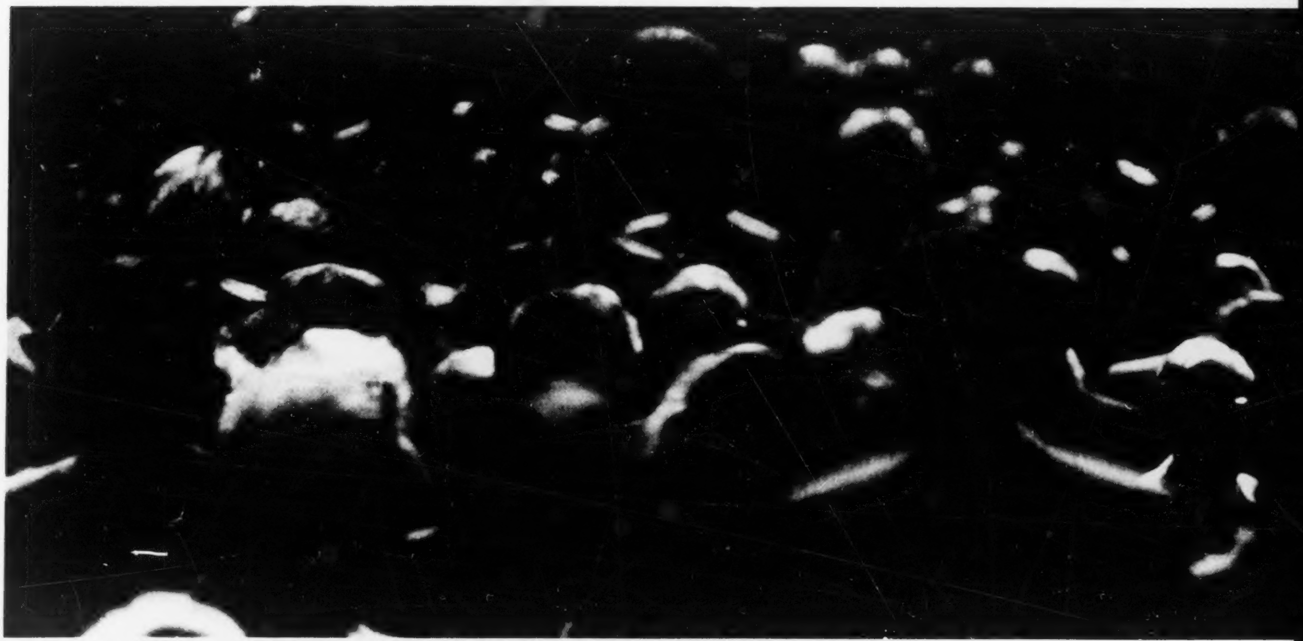
“Control of outside air is more of an issue in the Northeast because of the absolute temperature differential,” Laird says.

Most stores have concrete floors and exposed ceilings and range from 67,000 to 140,000 sq. ft. Oversized doors remain open most of the day as forklifts deliver pallets of merchandise to the shelves.

This makes the maintenance of comfortable temperatures a considerable challenge for Home Depot. Home Depot's answer to the temperature dilemma is to add computerized temperature controls to its stores, which average 200 tons of HVAC capability each.

Rooftop HVAC units are controlled by a central processing unit located in each store. Typically, the CPU is situated in the store manager's office or an electrical room. Inside each HVAC unit is a microprocessor module that is linked to the CPU through twisted-pair cables.

PC modem: The CPU is connected to Home Depot's headquarters through a personal computer modem. The on-site CPU and rooftop unit module actually run each HVAC unit on the store rooftop, operating the cooling, heating, fan and outside air dampers.



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But the home office continually monitors the HVAC unit's CPU performance. A technician stationed at the PC workstation will instantly spot a malfunctioning HVAC unit.

The microprocessor can determine such things as auxiliary temperatures, whether the compressor is on or off and filter differential pressures, which will let the technician know that a filter needs replacing. The automated system even knows if a fan switched to the "on" position is really blowing air.

"Besides maintaining temperature in the store, which saves energy, the automated system feeds back a tremendous amount of information that can be used for equipment maintenance," he says.

Lennox supplies Home Depot with the HVAC rooftop units. The microprocessor modules installed inside the HVAC units are manufactured by Novar Controls, Barberton, Ohio.

A growing number of HVAC manufacturers now offer CPU-guided systems as part of their HVAC rooftop unit systems.

For example, Trane's HVAC rooftop units include a "Tracer 100" microprocessor module which is made by Trane and installed in the unit at the factory.

York International provides microprocessor modules with its rooftop HVAC systems. The modules are manufactured by outside companies including Andover, Honeywell and Johnson Controls.

"The [microprocessor] controllers help with energy management, which saves [the retailer] money in the long run," says Steve Conner, York's director of national account sales.

"Plus, if the controllers are installed at the factory, this avoids the need for the retailer to hire another contractor to install them at the job site after the HVAC units have been placed on the roof," he says.

Carrier uses microprocessor technology in its HVAC rooftop units. The manufacturer's subsidiary, Parker Electronics, Jacksonville, Fla., make microprocessor controls, as does the control division of Hamilton Standard, a sister corporation of Carrier which is owned by United Technologies.

"Microprocessor controls are still an option, but they are becoming more widely used" by retail chains, says Mitch Hammond, national accounts regional sales manager for Carrier.

David A. Robertson, national accounts director for Lennox, says that until relatively recently, in-store temperature control was an inexact science at best. Frequently used mercury-bulb thermostats were designed to allow temperatures to fluctuate up to 5°F.

Moreover, so-called "supervisory" systems would rely on time clocks to determine when HVAC rooftop units should go on and off. Daylight savings and power outages would require that the clock be reset, but the store manager would not know how to do it.

Robertson says as a result, "the time clock was bypassed so it

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wouldn't interfere with operations, and the retailer lost its energy savings."

Because electric utilities charged for electricity usage and peak-demand usage, retailers would try to save electricity by limiting electrical demand to a pre-set maximum amount.

In other words, HVAC rooftop units would shut off to limit electrical demand and then the store would get too hot or too cold and the customers would leave, Robertson says.

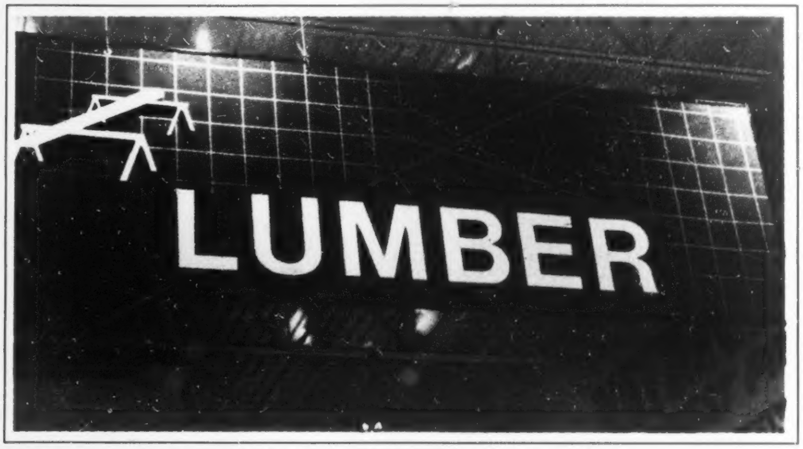
Those situations will not occur under the new era of PC store monitoring, Laird says. He underscores the fact that the store automated system is running on its own.

"Store people are not engineers," he says. "Their job is to be merchandisers, and we don't want them to worry about the lights and air conditioning. The [automated] system provides intelligence that can be monitored and controlled from the home office."

Laird says the system is "intelligent enough to call me and I can preempt the problem before the store even knows about it. We can take a printout of a store [with malfunctioning HVAC equipment] and fax the printout to our service company. The serviceman will then know exactly which A/C unit needs servicing." ■

3-D SIGNS AT PERGAMENT

GRAPHICS PROJECT UPSCALE IMAGE



***Letters and graphics combine** for easy department identification.*

To convey a low-price image, many warehouse home centers use plain vinyl or cloth signs and banners. Pergament Home Centers, in contrast, uses three-dimensional graphics to produce high-tech signs that set the retailer apart from its competitors. Each giant-size sign measures 4 ft. by 12 ft.

The Melville, N.Y.-based retailer has placed large signs in more than a dozen of its 40 units. Remaining stores will be retrofitted with the new sign program, says Stanley Nowaski, director of store development.

An unconventional aspect of Pergament's sign program is that every sign contains three-dimensional graphic representations of the product category. A sign for wallcoverings includes a partly unwound wallpaper roll, for example.

"The combination of letters with graphic representation definitely makes departmental recognition easier and quicker," Nowaski asserts.

The immediate recognition of a department helps create a cross-merchandising environment, says Bill Levine, vp-sales for Electra Display, the Ronkonkoma, N.Y., company that produced the signs.

The large signs tie in with other decor elements including fixtures and displays originally conceived by Russell Sway Designers. Sign letters are white on a blue background. Surrounding gridwork is gray.

"Dimensional signing," Levine says, "is the least expensive way to change the image of a store without having to do major construction."

More feeling: Three-dimensional graphics bring much more feeling to a store environment than flat paper signs, Levine adds. "If you wanted to make a store more aesthetically satisfying, dimensional signs do a better job than non-dimensional signs."

The large signs were first installed in Pergament's Garden City Park unit. Later, the signs were installed in eight Pergament Super Home Centers and another eight existing conventional Pergament store.

"We also plan to renovate three-fourths of our existing stores in the next 12 months and we will include these signs as an integral part of the remodeling process," Nowaski says.

The illustrations help stimulate quick recognition as well as add a touch of light artistry to the decor, Nowaski says. A grid design and blue-and-white color combinations have been duplicated on the endcaps and merchandise price signs. The design is also being incorporated into checkout signs, Nowaski adds.

"Electra worked with us in making subtle design changes that have produced dramatic cost savings without changing the visual presentation that we have developed," he says.

Cloth or vinyl banners of equal size, although less expensive materials, show little cost savings over Pergament's signs, "especially when you factor in the shorter lifespan of banners," Nowaski says.

Pergament is continuing to find ways beyond signs to give self-service assistance to customers. "We are currently testing store directory maps in four of our locations," Nowaski says.

In producing the signs, Electra wanted customers to be able to "read the signs from one side of the store to another," Levine says.

"Cross-selling is a major part of a departmentalized store," Levine explains. "Cross-selling gets a person from one department to another. If they came into Pergament for a rake, they should see a sign for a hammer and subliminally be reminded that they need to buy some nails. The signs are intended to keep customers in the store a few minutes longer."

The lumber cashier sign features a graphic of a sawhorse. For the electrical department, Electra built a giant three-dimensional plug. For the paint department, Electra made a large paint can with a paint brush. Red paint drips from the brush. For flooring, a checkerboard pattern was made using actual tiles. ■

SALES

	1st qtr. (000 omitted)	% change	YTD (000 omitted)	% change
CATALOG STORE CHAINS				
J.C. Penney†	3,801,000	+ 6.3	3,801,000	+ 6.3
Sears, Roebuck & Co.	6,840,100	+ 1.3	6,840,100	+ 1.3
DEPARTMENT STORES				
Carter Hawley Hale[3]*	590,871	− 0.8	2,234,500	+ 4.6
Dillard	742,382	+ 24.1	742,382	+ 24.1
Gottschalks	52,568	+ 21.2	52,568	+ 21.2
Jacobson's	89,942	+ 4.1	89,942	+ 4.1
R.H. Macy[3]	1,486,344	+ 0.2	5,636,879	+ 4.7
May*	2,188,000	+ 10.7	2,188,000	+ 10.7
Mercantile*	494,061	+ 3.2	494,061	+ 3.2
Neiman Marcus Group[3]	370,778	+ 8.2	1,310,930	+ 16.7
Nordstrom	555,038	+ 8.4	555,038	+ 8.4
Strawbridge & Clothier	209,249	+ 9.8	209,249	+ 9.8
Younkers	60,745	− 2.9	60,745	− 2.9
DISCOUNT STORES				
Consolidated	140,020	+ 6.4	140,020	+ 6.4
Dollar General	133,766	+ 3.0	133,766	+ 3.0
Dayton Hudson*	3,007,000	+ 6.4	3,007,000	+ 6.4
Hills	452,800	+ 13.8	452,800	+ 13.8
Jamesway	187,119	+ 15.6	187,119	+ 15.6
K mart	7,044,200	+ 16.1	7,044,200	+ 16.1
Pic n' Save	118,966	+ 26.4	118,966	+ 26.4
Rose's	353,311	+ 7.9	353,311	+ 7.9
Service Merchandise	625,447	+ 10.6	625,447	+ 10.6
Wal-Mart	6,768,195	+ 26.0	6,768,195	+ 26.0
SHOE/SPECIALTY CHAINS				
Brown Group	438,663	+ 0.5	438,663	+ 0.5
Edison Bros.	248,000	+ 15.5	248,000	+ 15.5
Melville	1,617,839	+ 5.8	1,617,839	+ 5.8
Woolworth	2,065,000	+ 10.0	2,065,000	+ 10.0
APPAREL CHAINS				
Banker's Note	13,147	+ 34.4	13,147	+ 34.4
Charming Shoppes	191,761	+ 11.3	191,761	+ 11.3
Deb Shops	42,546	+ 2.4	42,546	+ 2.4
The Gap	402,368	+ 29.8	402,368	+ 29.8
Paul Harris	49,327	+ 5.1	49,327	+ 5.1
The Limited	1,107,345	+ 14.8	1,107,345	+ 14.8
Merry-Go-Round	120,967	+ 63.6	120,967	+ 63.6
One Price Clothing	21,761	+ 47.8	21,761	+ 47.8
Petrie	301,459	+ 8.0	301,459	+ 8.0
OFF-PRICE APPAREL				
Burlington Coat Factory[3]	159,017	+ 5.5	647,670	+ 15.4
Dress Barn[3]	70,645	+ 18.2	208,331	+ 13.5
Ross	169,672	+ 10.2	169,672	+ 10.2
S&K	15,035	+ 21.0	15,035	+ 21.0
Syms	65,330	+ 8.0	65,330	+ 8.0
TJX†*	513,757	+ 10.2	513,757	+ 10.2
WAREHOUSE WHOLESALE CLUBS				
Bizmart[4]	45,123	+203.8	132,793	+295.4
Office Club	63,987	+118.1	63,987	+118.1
Office Depot*	142,627	+124.6	142,627	+124.6
Staples*	63,504	+ 70.3	63,504	+ 70.3
Waban	546,124	+ 18.9	546,124	+ 18.9
Warehouse Club[2]	61,100	− 1.8	133,868	− 2.2
Wholesale Club	152,289	+ 41.8	152,289	+ 41.8

EARNINGS

	1st qtr. (000 omitted)	% change	YTD (000 omitted)	% change
CATALOG STORE CHAINS				
J.C. Penney†	154,000	+ 4.1	154,000	+ 4.1
Sears, Roebuck & Co.	(37,400)	NA	(37,400)	NA
DEPARTMENT STORE CHAINS				
Carter Hawley Hale[3]*	(6,640)	NA	10,020	− 31.9
Dillard	29,390	+ 50.1	29,390	+ 50.1
Gottschalks	255	− 27.4	255	− 27.4
Jacobson's	1,131	− 45.5	1,131	− 45.5
R.H. Macy[3]	(63,121)	NA	(135,283)	NA
May*	80,000	+ 25.0	80,000	+ 25.0
Mercantile*	25,801	− 4.6	25,801	− 4.6
Neiman Marcus Group[3]	4,036	− 14.1	34,429	− 20.9
Nordstrom	13,169	− 42.7	13,169	− 42.7
Strawbridge & Clothier	3,090	+ 98.2	3,090	+ 98.2
Younkers	(3,655)	NA	(3,655)	NA
DISCOUNT STORES				
Consolidated	(3,721)	NA	(3,721)	NA
Dollar General	390	NA	390	NA
Dayton Hudson*	58,000	+ 45.0	58,000	+ 45.0
Hills	(16,952)	NA	(16,952)	NA
Jamesway	(997)	NA	(997)	NA
K mart	100,100	+ 6.4	100,100	+ 6.4
Pic n' Save	5,936	+ 9.6	5,936	+ 9.6
Rose's	2,073	+ 66.4	2,073	+ 66.4
Service Merchandise	(15,507)	NA	(15,507)	NA
Wal-Mart	253,443	+ 27.8	253,443	+ 27.8
SHOE/SPECIALTY CHAINS				
Brown Group	8,742	+ 19.5	8,742	+ 19.5
Edison Bros.	7,500	+ 27.1	7,500	+ 27.1
Melville	7,811	− 67.8	7,811	− 67.8
Woolworth	38,000	+ 5.6	38,000	+ 5.6
APPAREL CHAINS				
Banker's Note	277	+ 49.7	277	+ 49.7
Charming Shoppes	6,976	+ 1.2	6,976	+ 1.2
Deb Shops	650	− 25.4	650	− 25.4
The Gap	21,154	+ 40.5	21,154	+ 40.5
Paul Harris	(371)	NA	(371)	NA
The Limited	62,315	+ 37.9	62,315	+ 37.9
Merry-Go-Round	6,615	+297.1	6,615	+297.1
One Price Clothing	(138)	NA	(138)	NA
Petrie	7,431	+ 5.6	7,431	+ 5.6
OFF-PRICE APPAREL				
Burlington Coat Factory[3]	(1,860)	NA	28,910	+ 8.1
Dress Barn[3]	3,960	+ 6.5	10,148	− 25.7
Ross	1,568	− 53.9	1,568	− 53.9
S&K	488	+ 26.0	488	+ 26.0
Syms	1,779	− 25.6	1,779	− 25.6
TJX†*	14,600	+ 8.1	14,600	+ 8.1
WAREHOUSE WHOLESALE CLUBS				
Bizmart[4]	425	NA	(1,236)	NA
Office Club	709	NA	709	NA
Office Depot*	2,904	+ 88.1	2,904	+ 88.1
Staples*	1,891	+ 57.5	1,891	+ 57.5
Waban	1,415	− 78.3	1,415	− 78.3
Warehouse Club[2]	(971)	NA	(665)	NA
Wholesale Club	786	NA	786	NA

N/A = not applicable because of loss in either current or comparable period
N/C = no change
*before extraordinary items or changes in accounting principles
†continuing operations only
[1] first quarter figures
[2] second quarter figures
[3] third quarter figures
[4] fourth quarter figures
Source: Company reports

FINANCE

SALES

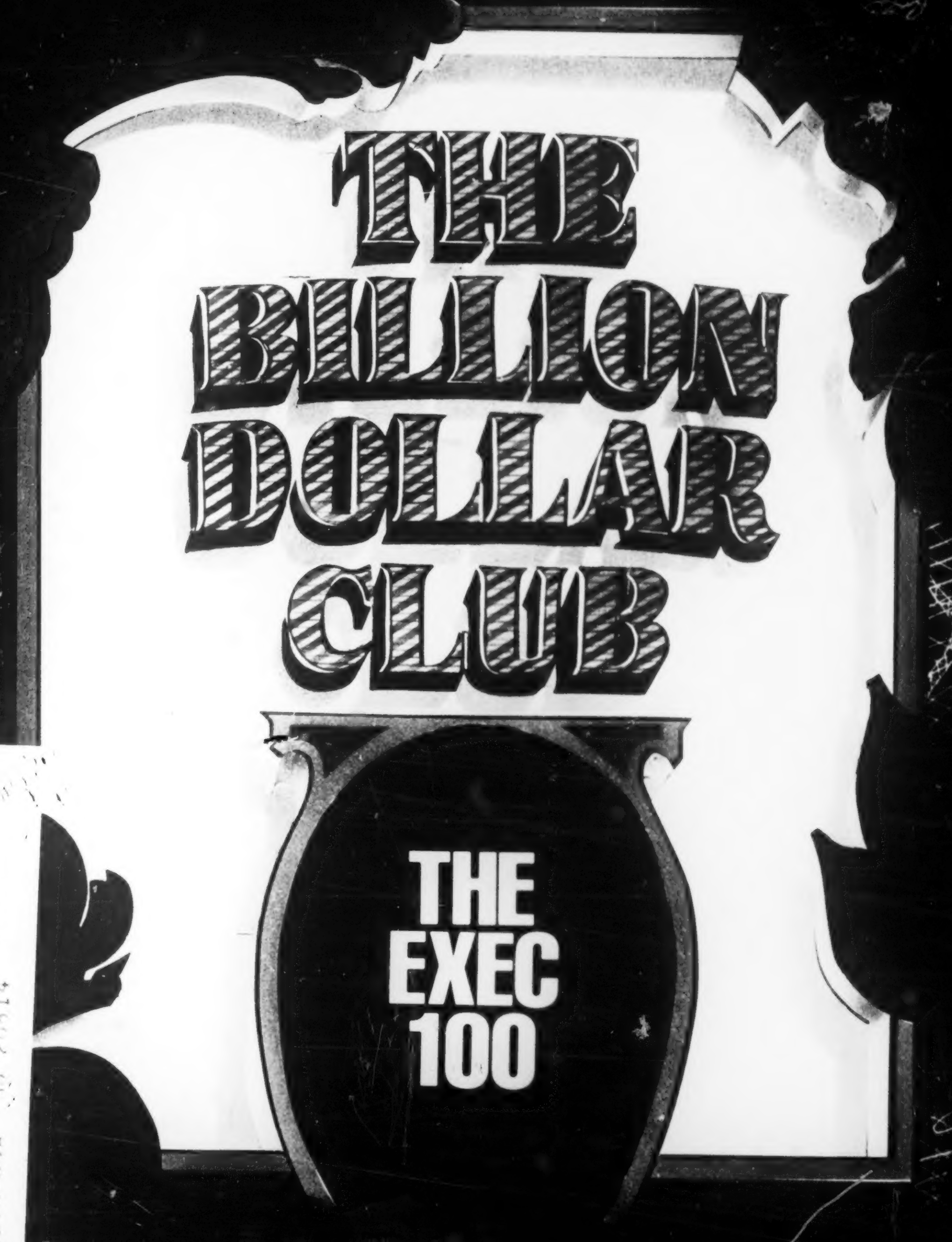
	1st qtr. (000 omitted)	% change	YTD (000 omitted)	% change
HARD LINES CHAINS				
Blockbuster Ent.	139,150	+ 80.7	139,150	+ 80.7
Child World	130,054	− 1.2	130,054	− 1.2
Claire's	53,520	+ 55.9	53,520	+ 55.9
Crown Books	44,723	+ 12.1	44,723	+ 12.1
Fabri-Centers	80,138	+ 8.1	80,138	+ 8.1
Fretter	42,400	− 12.4	42,400	− 12.4
Good Guys[2]	62,495	+ 48.2	149,844	+ 48.4
Highland	185,314	− 5.7	185,314	− 5.7
House of Fabrics	86,419	+ 8.7	86,419	+ 8.7
Lechters	33,167	+ 22.5	33,167	+ 22.5
Lionel	65,689	+ 7.2	65,689	+ 7.2
Newmark & Lewis	52,270	+ 5.2	52,270	+ 5.2
Oshmans	70,075	+ 16.1	70,075	+ 16.1
Pep Boys-M,M,J	213,034	+ 19.5	213,034	+ 19.5
Pier 1 Imports[4]	136,724	+ 22.4	516,858	+ 24.7
Tandy[3]	1,013,548	+ 7.4	3,456,113	+ 5.3
Toys 'R' Us	944,802	+ 23.1	944,802	+ 23.1
Trak Auto	67,575	+ 12.7	67,575	+ 12.7
Trans World Music*	70,866	+ 8.4	70,866	+ 8.4
SUPERMARKETS				
Bruno's[3]*	640,889	+ 10.3	1,814,983	+ 12.2
Delchamps[3]	231,413	+ 3.3	701,556	+ 4.6
Giant Food	769,264	+ 6.2	769,264	+ 6.2
Food Lion	1,201,285	+ 18.8	1,201,285	+ 18.8
Hannaford Bros.*	393,919	+ 13.2	393,919	+ 13.2
Kroger	4,558,759	+ 1.5	4,558,759	+ 1.5
Marsh[4]	234,690	+ 13.4	992,306	+ 10.9
Penn Traffic	697,573	+ 37.1	697,573	+ 37.1
Ralphs	620,900	+ 8.5	620,900	+ 8.5
Safeway	3,336,000	+ 3.4	3,336,000	+ 3.4
Smith's Food & Drug	487,745	+ 22.2	487,745	+ 22.2
Village Super Markets[3]	162,640	+ 3.6	476,524	+ 4.2
Vons*	1,211,700	− 2.6	1,211,700	− 2.6
Weis Markets	313,971	+ 4.1	313,971	+ 4.1
Winn-Dixie[3]	2,300,000	+ 6.2	7,500,000	+ 6.7
CONVENIENCE STORES				
Dairy Mart Convenience	133,955	+ 7.2	133,955	+ 7.2
National Convenience[3]*	249,302	+ 4.2	782,323	− 0.5
Southland*	1,940,000	+ 2.1	1,940,000	+ 2.1
Uni-Marts[2]	57,477	+ 12.4	114,925	+ 17.2
DRUG STORES				
Arbor[3]	82,799	+ 12.3	252,468	+ 13.6
Big B	122,898	+ 16.3	122,898	+ 16.3
Block Drug[4]	114,828	+ 6.1	433,605	+ 5.9
Drug Emporium[4]	137,417	+ 21.9	491,652	+ 20.9
Fay's*	153,194	+ 16.8	153,194	+ 16.8
Genovese*	128,578	+ 13.4	128,578	+ 13.4
Longs	537,426	+ 9.1	537,426	+ 9.1
Perry[2]*	158,421	− 0.5	337,511	− 1.8
Walgreen[2]	1,646,602	+ 11.5	3,033,406	+ 12.8
HOME CENTERS				
Grossman's	156,935	− 28.5	156,935	− 28.5
Hechinger*	345,730	+ 25.0	345,730	+ 25.0
Home Depot	880,856	+ 37.3	880,856	+ 37.3
Lowe's	720,900	+ 19.7	720,900	+ 19.7
NON-STORE RETAILERS				
Lands' End	112,191	+ 3.8	112,191	+ 3.8
QVC Network	161,272	+ 207.3	161,272	+ 207.3
Spiegel	389,864	+ 19.9	389,864	+ 19.9
Lillian Vernon[4]	42,322	+ 9.9	154,687	+ 10.0

EARNINGS

	1st qtr. (000 omitted)	% change	YTD (000 omitted)	% change
HARD LINES CHAINS				
Blockbuster Ent.	13,449	+ 82.0	13,449	+ 82.0
Child World	(7,415)	NA	(7,415)	NA
Claire's	3,205	+ 68.1	3,205	+ 68.1
Crown Books	1,512	+ 0.9	1,512	+ 0.9
Fabri-Centers	628	+ 19.8	628	+ 19.8
Fretter	(1,204)	NA	(1,204)	NA
Good Guys[2]	1,122	+ 96.5	4,743	+ 72.3
Highland	(6,684)	NA	(6,684)	NA
House of Fabrics	2,154	+ 60.9	2,154	+ 60.9
Lechters	293	+ 92.8	293	+ 92.8
Lionel	(5,983)	NA	(5,983)	NA
Newmark & Lewis	(1,146)	NA	(1,146)	NA
Oshmans	(877)	NA	(877)	NA
Pep Boys-M,M,J	9,440	+ 23.8	9,440	+ 23.8
Pier 1 Imports[4]	6,723	− 7.8	5,677	− 0.2
Tandy[3]	53,034	− 20.5	233,421	− 12.5
Toys 'R' Us	33,228	+ 22.4	33,228	+ 22.4
Trak Auto	925	+ 213.6	925	+ 213.6
Trans World Music*	2,449	+ 32.7	2,449	+ 32.7
SUPERMARKETS				
Bruno's[3]*	15,468	+ 21.8	44,494	+ 23.7
Delchamps[3]	3,446	− 9.2	9,214	+ 42.1
Giant Food	28,467	+ 7.3	28,467	+ 7.3
Food Lion	37,129	+ 29.3	37,129	+ 29.3
Hannaford Bros.*	9,824	+ 14.5	9,824	+ 14.5
Kroger	(10,265)	NA	(10,265)	NA
Marsh[4]	1,698	+ 6.2	10,723	+ 25.9
Penn Traffic	(12,280)	NA	(12,280)	NA
Ralph's	(4,008)	NA	(4,008)	NA
Safeway	15,000	+ 70.5	15,000	+ 70.5
Smith's Food & Drug	8,139	+ 43.3	8,139	+ 43.3
Village Super Markets[3]	866	− 13.8	3,769	− 13.3
Vons*	8,200	NA	8,200	NA
Weis Markets	18,980	− 7.0	18,980	− 7.0
Winn-Dixie[3]	42,000	+ 12.3	108,900	+ 18.1
CONVENIENCE STORES				
Dairy Mart Convenience	234	NA	234	NA
National Convenience[3]*	(6,204)	NA	535	NA
Southland*	(121,500)	NA	(121,500)	NA
Uni-Marts[2]	501	− 14.8	1,342	− 5.5
DRUG STORES				
Arbor[3]	2,269	+ 15.5	8,326	+ 24.4
Big B	395	− 82.5	395	− 82.5
Block Drug[4]	11,846	+ 7.0	46,140	+ 6.1
Drug Emporium[4]	2,676	− 13.4	8,206	+ 2.8
Fay's*	1,476	+ 8.9	1,476	+ 8.9
Genovese*	816	− 27.1	816	− 27.1
Longs	14,801	+ 2.6	14,801	+ 2.6
Perry[2]*	604	− 16.3	3,637	− 26.2
Walgreen[2]	61,935	+ 8.1	90,597	+ 10.4
HOME CENTERS				
Grossman's	(5,363)	NA	(5,363)	NA
Hechinger*	8,387	+ 14.8	8,387	+ 14.8
Home Depot	38,617	+ 48.9	38,617	+ 48.9
Lowe's	22,000	+ 50.7	22,000	+ 50.7
NON-STORE RETAILERS				
Lands' End	1,702	− 63.8	1,702	− 63.8
QVC Network	(5,844)	NA	(5,844)	NA
Spiegel	7,763	+ 22.5	7,763	+ 22.5
Lillian Vernon[4]	3,117	+ 23.6	10,806	+ 32.6

N/A = not applicable because of loss in either current or comparable period
N/C = no change
*before extraordinary items or changes in accounting principles
†continuing operations only
[1] first quarter figures
[2] second quarter figures
[3] third quarter figures
[4] fourth quarter figures
Source: Company reports

Chain Store Age
EXECUTIVE
with Shopping Center Age
The newsmagazine for retail management
August 1990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Vol. 66, No. 8/August 1990

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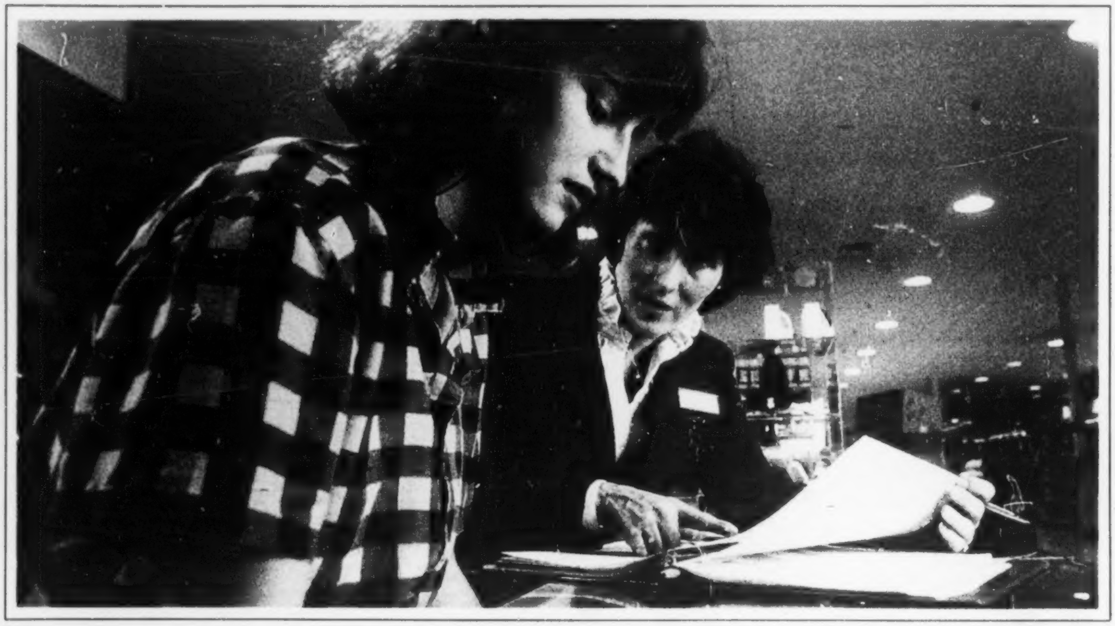

TARGET TAKES AIM AT QUICK RESPONSE

Target has shaved actual restocking time in half under its initial implmentation of Quick Response. The goal for the Minneapolis-based discount division of Dayton Hudson is to be 100% in stock at all times. 74

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RETAIL TECHNOLOGY

More retailers than ever are using scanning technologies and communicating with their vendors via Electronic Data Interchange, a joint *Chain Store Age Executive*/Ernst & Young survey has found. 70

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THE BILLION DOLLAR CLUB

EXEC 100 POST BIG SALES BUT SMALLER PROFITS

One billion dollars.

A short 10 years ago Wal-Mart's sales had just edged above the billion mark for the first time. They came in at $1.2 billion. Today, the Bentonville, Ark.-based retailer's sales exceed $25.8 billion.

$1 billion.

Ten years ago, at the beginning of the last decade, 44 retailers had attained the lofty figure. Today, for the first time, each of the Exec 100 companies has amassed a retail empire that pulls in at least $1 billion in annual sales.

Yet, even as the feat is reason to celebrate the vitality of retailing, the reality of an embattled industry depresses enthusiasm for the achievement.

☐ The burden of his debt-laden purchases of Federated and Allied Department Stores finally caught up with Robert Campeau earlier this year. In mid-January the divisions filed for bankruptcy protection but not before they, along with another heavily indebted company, R.H. Macy, turned Christmas 1989 into a promotional, profit draining frenzy for much of the general merchandise industry.

☐ The giants of the convenience store segment, Southland and Circle K, are under seige. Southland's 7-Eleven stores will be bought by a Japanese retailer, while Circle-K's chairman resigned under pressure.

☐ Five of the seven discount store oriented companies in the Exec 100 recorded lower earnings this year.

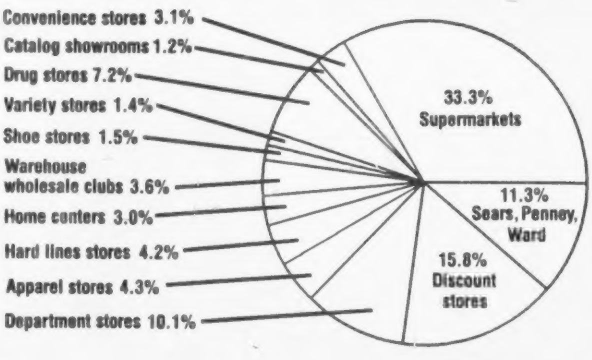
☐ Although sales for the Exec 100 increased 12.3% compared to a year ago, the overall increase for retail sales is less than half that total. According to the U.S. Dept. of Commerce, Bureau of the Census, retail sales, excluding automotive dealers, increased by just 5.9% last year.

As they did a year ago, the figures demonstrate that the Exec 100, nation's largest retailers, are growing at a much faster pace than are smaller chains and independents.

That is not to say, however, that the

Continued on page 40

THE EXEC 100
$445,502,558,000



Source: *Chain Store Age Executive* research

Company Headquarters	1989 Sales (000)	1988 Sales (000)	1989 Profits (000)	1988 Profits (000)	Stores 1989 *1988*	Comments
1. **Sears** **Chicago, Ill.**	$31,599,200	$30,256,000	$ 646,900	$524,400	1,731 *1,649*	Specialty stores have yet to make impact on Sears. Neither has Everyday Low Pricing. Company plans 107 new specialty stores, 33 paint and hardware units, and 55 new or relocated full-size stores.
2. **K mart** **Troy, Mich.**	29,533,000	27,301,000	323,000	803,000	4,259 *4,082*	Chairman Joseph Antonini launches an aggressive and costly store expansion and renovation program. K mart continues diversification into specialty retailing with acquisition of Pace Membership Warehouse and Sports Authority.
3. **Wal-Mart** **Bentonville, Ark.**	25,810,656	20,649,001	1,075,900	837,221	1,525 *1,364*	The success story continues as Wal-Mart expands into the Northeast and California. Plans call for 165 more discount stores, more than 25 Sam's Wholesale Clubs, 2 supercenters and one hypermart this year.
4. **American Stores** **Salt Lake City, Utah**	22,004,154	18,478,354	118,129	98,251	1,894 *1,285*	Supreme Court ruling calls into question whether American will ever be able to integrate operations of Alpha Beta and Lucky Stores in California.
5. **Kroger Co.** **Cincinnati, Ohio**	19,103,671	19,053,020	(72,722)	34,522	2,190 *2,198*	One-time charge against earnings of $56.5 million from the write-off of costs related to the company's initial restructuring credit agreement contributed to the net loss for the year.
6. **J. C. Penney** **Dallas, Tex.**	16,103,000	14,833,000	802,000	807,000	1,799 *1,789*	Penney will spend about $1 billion over next five years upgrading existing stores.
7. **Safeway Stores** **Oakland, Calif.**	14,324,600	13,612,400	2,500	31,200	1,261 *1,130*	The company's average store size has been increasing steadily to accommodate an expanding assortment of sku's.
8. **Dayton Hudson** **Minneapolis, Minn.**	13,644,000	12,204,000	410,000	287,000	657 *591*	Profit increases at Target and Mervyn's give a dramatic boost to Dayton Hudson's fiscal '89 net income. Company adjusts its focus on upscale department store retailing as it spins off Lechmere and acquires Marshall Field.
9. **A&P** **Montvale, N.J.**	11,147,997	10,067,776	146,698	127,582	1,215 *1,241*	Continued strong performance from Food Emporium and Waldbaum has made A&P a powerhouse in the New York market.
10. **Campeau** **Toronto, Canada**	10,439,653	8,688,000	(1,740,000)	(34,000)	402 *394*	Though Campeau avoided bankruptcy, its Federated and Allied divisions did not, causing upheaval in the entire retail industry.
11. **May** **St. Louis, Mo.**	9,425,000	8,403,000	498,000	534,000	3,034 *2,899*	With its decision to concentrate on department stores and self-service shoe stores, May divested itself of the Venture & Caldor discount operations.
12. **Winn-Dixie Stores** **Jacksonville, Fla.**	9,151,145	9,007,707	134,545	116,694	1,229 *1,246*	The company has expanded its Everyday Low Price program to five divisions.
13. **Woolworth** **New York, N.Y.**	8,820,000	8,088,000	657,000	549,000	8,074 *7,739*	Has reorganized corporate structure to a holding company format. Formed U.S. Apparel Group to encompass Kids Mart, Little Folk Shop, Richman, Anderson-Little, Susie's and Sportelle.
14. **Southland Corp.** **Dallas, Tex.**	8,274,900	7,950,300	(1,306,900)	(216,200)	6,632 *7,414*	LBO troubles forced the company into a stock purchase agreement with Ito-Yokado, a Japanese concern.
15. **Melville** **Rye, N.Y.**	7,553,971	6,780,359	398,076	354,519	6,930 *6,540*	Record year led by CVS, Wilsons and improving Marshalls. Down notes: toys and household furnishings segments. At press time, Melville said it will buy 490-store Peoples Drug from Imasco and 330 Circus World stores from Greenman Bros.
16. **Albertsons** **Boise, Idaho**	7,422,663	6,773,061	196,551	162,545	523 *497*	Albertsons marked its entry into the Phoenix market in 1989 with the opening of three stores.
17. **R.H. Macy** **New York, N.Y.**	6,974,141	5,729,095	(53,651)	(188,160)	149 *149*	Comp store sales moved up just 1.9%. Though losses persist through this year, Macy's has announced new store projects for '91 and beyond.
18. **Supermarkets General Holdings** **Carteret, N.J.**	6,298,748	5,962,200	(76,525)	(58,900)	254 *268*	Results for the company's supermarket and drug store divisions are on the rise, but the performance of the 44-store Rickel home center division is declining.
19. **Publix Super Markets** **Lakeland, Fla.**	5,386,246	4,847,952	128,458	102,434	367 *353*	Publix invested $159.6 million in new and renovated stores in 1989. 130 stores have the latest generation of scanning systems.
20. **Walgreen Co.** **Deerfield, Ill.**	5,380,133	4,883,520	154,242	129,062	1,484 *1,416*	With new president Dan Jorndt at helm, the expansion-minded chain breaks ground on $40 million state-of-the-art distribution center and experiments with new smaller formats. Plans call for 600 new stores by 1995.

NA = Not available ( ) Loss

Source: Company reports/*Chain Store Age Executive* research

Company Headquarters	1989 Sales (000)	1988 Sales (000)	1989 Profits (000)	1988 Profits (000)	Stores 1989 *1988*	Comments
21. Vons Cos. El Monte, Calif.	$ 5,220,700	$ 3,916,600	($ 25,100)	($ 23,900)	328 *350*	Integrating more than 150 underperforming Safeway units in the Southern California market continues to be Vons' greatest challenge.
22. Ames Dept. Stores Rocky Hill, Conn.	5,065,000	3,362,865	(228,000)	47,243	690 *850*	Beset by plunging sales at ailing Zayre, Ames posted a $228 million loss for 1989 and filed for Chapter 11. The company plans to close nearly 300 stores by summer's end.
23. Montgomery Ward Chicago, Ill.	5,028,000	4,747,000	NA	139,000	333 *324*	Fourth consecutive record year of earnings, though Ward ceo Bernie Brennan declines to disclose results.
24. Price Co. San Diego, Calif.	4,901,154	4,053,440	117,035	94,753	47 *40*	With Wal-Mart's aggressive Sam's Wholesale Club breathing down its neck, Price Club continues to expand in the Northeast. Eight new stores are on tap this year.
25. Toys "R" Us Paramus, N.J.	4,787,830	4,000,192	321,080	268,024	615 *522*	Sales rose a whopping 19.7%, more than three times the comparable U.S. toy store sales of 6.7%. First stores opened in France and Taiwan.
26. Food Lion Salisbury, N.C.	4,717,066	3,815,426	139,775	112,541	663 *567*	One of the fastest growing supermarket chains in America, Food Lion plans a major foray into the Dallas market this year.
27. The Limited Columbus, Ohio	4,647,916	4,070,777	346,926	245,136	3,168 *3,381*	384 Lerner Woman/Sizes Unlimited stores sold to United Retail Group effective Apr. 30, 1989. The powerhouse has announced a goal of $10 billion in sales and 10% after-tax profits by mid-decade.
28. Stop & Shop Cos. Braintree, Mass.	4,636,031	4,624,000	(23,200)	(21,500)	246 *244*	This LBO'd company of supermarkets and discount stores sold leases to 31 former Bradlees discount stores in Virginia, North Carolina, Maryland and Delaware during 1989.
29. Tandy Fort Worth, Tex.	4,180,703	3,793,767	323,504	316,354	7,337 *7,336*	With Radio Shack store redesign and upgrade program now complete, Tandy is expected to concentrate on its name brand businesses.
30. Ahold USA Parsipanny, N.J.	4,057,000	3,514,000	101,591	146,000	342 *329*	The Dutch concern this year opened a central office in New Jersey to supervise its U.S. holdings.
31. Circle K Corp. Phoenix, Ariz.	3,493,107	2,656,722	15,414	60,411	4,685 *4,536*	Troubled company has filed for Chapter 11 bankruptcy protection and its chairman, Karl Eller, has resigned.
32. Service Merchandise Nashville, Tenn.	3,307,110	3,092,817	71,991	76,487	334 *317*	Sales are up but earnings are down due to costs incurred by a major recapitalization. The IRS is investigating two former executives of the company for tax fraud. Fifteen new stores due to open in 1990.
33. Giant Food Landover, Md.	3,248,942	2,987,154	974,129	897,748	149 *145*	Giant has ambitious plans to open 16 new food/drug stores by 1995.
34. Eckerd Drug Stores Clearwater, Fla.	3,200,000	2,900,000	NA	NA	1,630 *1,580*	Eckerd's impressive turnaround continues. Buoyed by a strong cash flow, chain expands through acquisitions. Upcoming purchase of 220 Revco units will make Eckerd the nation's second-largest drug chain.
35. Super Valu Minneapolis, Minn.	3,186,332	2,769,019	NA	NA	170 *156*	Shopko discount stores upped operating income 13% to $86.3 million, while the supermarket segments turned a disappointing $1.7 million operating profit.
36. Rite Aid Shiremanstown, Pa.	3,172,797	2,868,297	102,058	95,210	2,352 *2,270*	As president Martin Grass fights bribery charges, Rite Aid maintains position as largest drug chain and acquires Lane Drug from Peoples. Chain takes one-time $22 million write-off after pulling plug on ailing video rental departments.
37. Pacific Enterprises Los Angeles, Calif.	3,114,000	2,400,000	68,000	66,000	1,065 *1,039*	Integration of Pay 'n Save and Bi-Mart continues. Thrifty picks up pace of POS system installation and expands satellite communications network. Drug chain will add 50 new stores in 1990.
38. Dillard Little Rock, Ariz.	3,049,062	2,558,000	148,092	113,829	162 *146*	Chain will open three and remodel five stores in 1990 for a gain of 870,000 sq. ft. on a base of 23.5 million sq. ft.
39. Costco Wholesale Kirkland, Wash.	2,943,385	1,988,715	55,500	31,100	62 *50*	In a banner year, Costco records the largest sales growth of any warehouse club. The chain will open 10 new clubs this year. Look for it to enter the Northeast.
40. Batus Louisville, Ky.	2,825,000	2,643,327	NA	NA	153 *108*	Last year on the chart as British parent BAT sold off retail division to fight takeover.
41. Meijer Grand Rapids, Mich.	2,800,000	2,540,000	NA	NA	56 *52*	Meijer's brings successful hypermarket format to Ohio as brothers Doug and Hank Meijer become co-chairmen of the board. Purchase orders sent via EDI.

NA = Not available ( ) Loss

Source: Company reports/*Chain Store Age Executive* research

Company Headquarters	1989 Sales (000)	1988 Sales (000)	1989 Profits (000)	1988 Profits (000)	Stores 1989 *1988*	Comments
42. Carter Hawley Hale Los Angeles, Calif.	$ 2,787,393	$ 2,617,143	$ 13,470	$ 17,660	113 *112*	Last year's San Francisco earthquake continues to plague CHH's results.
43. Home Depot Atlanta, Ga.	2,758,535	1,999,514	111,954	76,753	118 *96*	Newfound focus is the Northeast, where Home Depot plans to open 75 stores over the next five years. Capital expenditures were $205 million in 1989 compared with $105 million in 1988.
44. Penn Traffic Johnstown, Pa.	2,699,847	1,179,924	(29,151)	(8,430)	544 *154*	With the acquisitions of P&C and Big Bear and the investment in Grand Union, the company has fulfilled its objective to operate a group of autonomous, regionally-based companies.
45. Nordstrom Seattle, Wash.	2,671,114	2,327,946	114,909	123,332	59 *58*	Bloated inventories and litigation over employee wages and working conditions tarnished Nordstrom's gleaming image.
46. Lowe's North Wilkesboro, N.C.	2,650,500	2,516,900	74,900	69,200	306 *296*	Lowe's plans 26 stores this year as it shifts toward less-cyclical retail and away from declining contractor market. Lowe's added a net 1.2 million sq. ft. of selling area vs. 300,000 sq. ft. the prior year.
47. Revco Twinsburg, Ohio	2,489,985	2,700,529	(232,654)	(133,409)	1,853 *1,870*	Revco announces a bold restructuring plan as it attempts to emerge from bankruptcy. Puts 712 stores on the block. Will concentrate all its resources on building share in Mid-Atlantic and Southeast.
48. Mercantile New York, N.Y.	2,312,802	2,265,500	130,343	144,462	80 *80*	An early advocate of Quick Response, Mercantile is installing scanners and POS registers with price look-up and inventory tracking features.
49. H.E. Butt San Antonio, Tex.	2,312,000	2,300,000	NA	NA	152 *150*	Non-food represents 20% of sales for this chain, which emphasizes superstore and combo store formats.
50. Fred Meyer Portland, Ore.	2,284,535	2,073,544	(6,850)	36,661	125 *112*	Income drops from planned one-time restructuring charge of $49.3 million; labor woes and fierce competition also take their toll. Company launches ambitious environmental program and opens four large multi-department stores.
51. TJX Natick, Mass.	2,148,735	1,920,795	(78,275)	(167,815)	898 *814*	T.J. Maxx continued to expand, opening 44 new stores. Hit or Miss was hit hard during the heavily promotional fourth quarter.
52. Bruno's Birmingham, Ala.	2,134,093	1,982,269	50,235	40,741	222 *207*	The company has plans to open 30 new stores in each of fiscal 1990 and 1991.
53. Longs Drug Stores Walnut Creek, Calif.	2,110,574	1,925,451	61,294	55,858	248 *236*	Decentralized management continues to pay off as company records a 10% sales and earnings gain. Chain unveils a new smaller prototype and gets set to begin roll-out of POS system.
54. Circuit City Stores Richmond, Va.	2,096,588	1,721,497	619,086	501,927	149 *122*	Comparable store sales grew only 2% last year, due in part to new superstores feeding off existing smaller branches, and tighter credit controls, as well as leveling off in industry overall.
55. Hills Dept. Stores Canton, Mass.	2,075,603	1,670,866	5,632	14,193	208 *167*	A quiet year as company integrates 33 former Gold Circle stores into its operation. Acceptance of consumer credit cards enthusiastically received. New store prototype (Expo 91) under development.
56. Waban Natick, Mass.	2,056,512	1,652,481	28,765	17,222	81 *68*	Record year for Waban, formed as offshoot of Zayre's restructuring. Sales near the $1 billion mark at BJ's while HomeClub sales exceed $1 billion.
57. Best Products Richmond, Va.	2,055,000	2,048,000	NA	NA	194 *194*	Catalog showroom company is getting set to debut its first new store in three years in Houston.
58. U.S. Shoe Cincinnati, Ohio	2,039,800	1,820,300	49,187	12,965	2,535 *2,512*	Petite Sophisticate will be expanded on an accelerated schedule, while Lenscrafters should open 100 stores this year.
59. Belk Charlotte, N.C.	2,010,000	1,905,000	NA	NA	355 *340*	Troubled department store retailers in the Southeast help make Belk a stronger competitor.

NA = Not available ( ) Loss

Source: Company reports/*Chain Store Age Executive* research

Company Headquarters	1989 Sales (000)	1988 Sales (000)	1989 Profits (000)	1988 Profits (000)	Stores 1989 *1988*	Comments
60. Payless Cashways **Kansas City, Mo.**	$ 2,004,000	$ 1,900,000	NA	NA	195 *195*	Commercial sales offices added to all stores, with a separate entrance, as focus shifts toward professional customer. Operates under Payless Cashways, Somerville Lumber, Knox and Lumberjack names.
61. Giant Eagle **Pittsburgh, Pa.**	1,850,000	1,600,000	NA	NA	130 *120*	This sleeping giant, Pittsburgh's market share leader, is believed to be setting its sights on a major acquisition.
62. Hy-Vee Food Stores **Chariton, Iowa**	1,850,000	1,475,000	NA	NA	220 *148*	Heartland chain gives its store managers unusual authority. Their pay is entirely on a commmission basis.
63. Smith's Food & Drug **Salt Lake City, Utah**	1,731,559	1,393,091	$ 26,131	$ 17,699	98 *91*	Almost a quarter of this company's sales are in nonfood.
64. Hook-SupeRx **Cincinnati, Ohio**	1,730,000	1,280,000	NA	NA	1,083 *1,071*	Steadily improving Brooks division boosts chain's overall performance. Chain expands in the Chicago market.
65. Pace **Aurora, Colo.**	1,710,000	1,270,535	NA	9,421	47 *39*	Pace, bought by K mart in 1989, merged with the Makro division earlier this year.
66. Caldor **Norwalk, Conn.**	1,651,000	1,574,000	NA	NA	118 *119*	Acquired by a New York investment group from May Co. in a $552 million LBO last August. New management has embarked on aggressive store remodeling program. Look for a more fashion-forward image.
67. Dominick's Finer Foods **Northlake, Ill.**	1,650,000	1,500,000	NA	NA	95 *90*	Chicago market leader now has a satellite-transmitted in-store audio marketing program in all of its stores.
68. The Gap **San Bruno, Calif.**	1,586,596	1,252,097	97,628	74,231	960 *900*	Profits negatively affected by closing Hemisphere stores. Banana Republic continues to lag. New stores for Gap and GapKids will be larger.
69. Hannaford Bros. **Scarborough, Me.**	1,520,600	1,261,668	39,302	28,949	118 *108*	This was the 27th straight year sales have increased for northern New England's largest supermarket chain which also operates Wellby Super Drug Stores.
70. Rose's **Henderson, N.C.**	1,507,560	1,439,279	8,926	16,356	259 *250*	Declining profits make for some rough going at 75 year-old Rose's. Company goes on tight budget to reduce operating expenses. New prototype, more contemporary-looking and 25% larger than traditional Rose's stores, has successful debut.
71. Shaw's Supermarkets **East Bridgewater, Mass.**	1,500,000	1,300,000	NA	NA	64 *61*	The venerable New England chain is now using EDI to transmit purchase orders.
72. Neiman Marcus Group **Chestnut Hill, Mass.**	1,467,504	1,223,162	25,258	4,938	251 *244*	Contempo Casuals returned to profitability, while Bergdorf Goodman gained and Neiman Marcus had a slight increase.
73. McCrory **York, Pa.**	1,382,300	1,400,200	(157,900)	2,700	1,063 *1,240*	Unanticipated markdowns and heavy inventories threw McCrory into the red.
74. Sherwin Williams **Cleveland, Ohio**	1,346,000	1,250,000	91,000	70,000	1,896 *1,865*	A new POS system will be up and running in all stores by year-end. Watch for greater TV advertising in coming months.
75. Venture **O'Fallon, Mo.**	1,339,000	1,279,000	NA	NA	75 *73*	May is cutting the cord with the Midwest discount chain that finds itself encircled by Target, Wal-Mart and K mart.
76. Phar-Mor **Youngstown, Ohio**	1,300,000	800,000	NA	NA	165 *114*	Fast-growing Phar-Mor entered new markets of Detroit, Phoenix and Denver this past year. Deep-discounter will continue to beef up store base with 65 new stores this year. Look for chain to make a major thrust in the West.
77. Petrie Stores **Secaucus, N.J.**	1,257,522	1,218,341	32,265	92,182	1,569 *1,584*	Company continuing to implement private credit card. Profits rose in fourth quarter despite heavily promotional Christmas season. 1988 profits figure includes extraordinary item of $57,100.
78. Emro Marketing **Springfield, Ohio**	1,250,000	1,200,000	NA	NA	1,682 *1,088*	Owned by Marathon Oil, company has service delis in 500 stores.

NA = Not available ( ) Loss

Source: Company reports/*Chain Store Age Executive* research

Company Headquarters	1989 Sales (000)	1988 Sales (000)	1989 Profits (000)	1988 Profits (000)	Stores 1989 *1988*	Comments
79. PA Bergners Milwaukee, Wis.	$ 1,240,000	$ 492,000	NA	NA	66 *34*	Bergners capitalized on Carson Pirie Scott buyout to jump into Chicago and Minneapolis metro markets.
80. Weis Markets Sunbury, Pa.	1,239,272	1,189,236	$ 86,429	$ 82,624	120 *117*	Many of this company's 1,500 private label products are supplied by its own manufacturing and processing plants.
81. Hechinger Landover, Md.	1,229,572	1,019,399	34,189	48,816	107 *92*	Earnings declined for the first time since it went public in 1972. Plans are to use warehouse subsidiary, Home Quarters Warehouse, as the main focus of future expansion, geared toward Northeastern markets.
82. Raley's Sacramento, Calif.	1,200,000	1,000,000	NA	NA	56 *54*	This company has plans to build a dry grocery warehouse in a joint venture with Save Mart in 1991.
83. Furr's Lubbock, Tex.	1,200,000	1,200,000	NA	NA	141 *144*	Strong Texas operator, known for its Hispanic merchandising, has ATM machines in 20 stores.
84. Barnes & Noble/B.Dalton New York, N.Y.	1,200,000	1,100,000	NA	NA	1,200 *1,100*	Still topping K mart's Waldenbooks, despite fewer stores.
85. Cullum Cos. Dallas, Tex.	1,189,522	1,189,000	NA	NA	59 *69*	A frequent shopper program, called Promise Club, has successfully overcome customer resistance to EFT at the point of sale.
86. Stater Bros. Colton, Calif.	1,100,000	1,000,000	NA	NA	101 *101*	Supermarket chain opened a produce and delicatessan distribution center.
87. Riser Foods Bedford Heights, Ohio	1,083,130	1,111,065	(12,728)	(5,886)	50 *57*	Litigation expenses of $5.7 million contributed to losses for the year. Settlement of the litigation, which had been brought against Riser subsidiaries prior to their merger, was favorable to the company.
88. Brown Group St. Louis, Mo.	1,074,123	972,742	33,827	8,283	4,294 *4,209*	Sales in some divisions were hurt by the Campeau problems. 1988 profits were affected by discontinued divisions.
89. Edison Bros. St. Louis, Mo.	1,073,500	918,600	56,900	36,300	2,327 *2,347*	Total store count declined despite purchase of 225 Foxmoor stores from Dylex. Company also acquired nine Midwest Rothschild's Big and Tall stores. Company expects to close about 100 stores in 1990, while opening 300.
90. Nat'l Convenience Stores Houston, Tex.	1,072,507	914,980	(8,858)	6,754	1,142 *1,119*	The company has installed slot scanners in 200 stores across major markets.
91. Tops Markets Buffalo, N.Y.	1,070,000	882,000	NA	NA	144 *148*	Tops accepts Visa and MasterCard and will soon institute its own debit card.
92. Harris Teeter Charlotte, N.C.	1,053,467	894,035	27,444	21,102	128 *123*	The company has been conducting a major remodeling program to make stores modern and appealing.
93. Grossman's Braintree, Mass.	1,052,095	1,141,602	17,644	13,235	157 *246*	Paring back store operations is part of Grossman's plan to improve profitability.
94. Schnuck Markets Bridgeton, Mo.	1,050,000	1,000,000	NA	NA	57 *59*	Schnuck is a leader in using space management software to boost sales.
95. Wegman's Food Markets Rochester, N.Y.	1,050,000	1,000,000	NA	NA	42 *40*	Wegman's had made in-store ATMs a profit center, and is a leader in using EFT at the point of sale.
96. Imasco Ltd. Montreal, Canada	1,020,100	1,497,600	6,800	(6,600)	490 *829*	At press time, Melville announced it will acquire Peoples in an all-cash deal valued at $330 million. Chain will keep its name and operate as a unit within CVS.
97. Eagle Food Centers Milan, Ill.	1,000,000	NA	NA	NA	106 *106*	The LBO'd chain uses EDI and scanning in its stores.
98. Pueblo International Pompano Beach, Fla.	1,000,000	950,000	5	(11)	50 *50*	Loss in 1988 was result of retirement of LBO debt.
99. Hughes Markets Los Angeles, Calif.	1,000,000	715,000	NA	NA	48 *46*	Hughes is the largest privately-held chain in Southern California.
100. Wickes Lumber Vernon Hills, Ill.	1,000,000	1,100,000	NA	NA	190 *210*	In first six months of 1990, chain shuttered another five units, lowering store count to 185 as it continues to eliminate unprofitable stores in the wake of its 1988 LBO.

NA = Not available ( ) Loss

Source: Company reports/*Chain Store Age Executive* research

biggest among them are necessarily more efficient, either at generating sales or at converting sales dollars into profits. The top 10 companies upped their sales by 10.6%. Their earnings fell by 51.2%, thanks to Campeau. Moreover, their sales to earnings percentage dropped to 0.8% from 2.0%.

Slightly more than $40 out of every $100 not spent on cars, gasoline and food service, $43.60 to be exact, found their way into the coffers of the Exec 100. The retailing giants rang up $445.5 billion in annual sales.

Supermarkets totaled the largest portion of the Exec 100 pie. But their 33.3% slice actually represented a shrinking portion compared to their 34.7% in 1988.

Convenience stores led all industry segments in the percentage growth of sales representation in the Exec 100. Their 3.1% share equated to a 29.2% jump from a year ago.

Warehouse wholesale clubs grew by 20%; drug stores by 18%.

In apportioning the makeup of the Exec 100 retail pie, *Chain Store Age Executive* segregated the divisions of retail conglomerates according to their respective formats.

For example, Hannaford Bros. had its supermarket sales counted in that segment and its Wellby Super Drug Store division included in the drug store group. If actual divisional sales were not available, *Chain Store Age Executive* estimated the volumes.

Given the upheaval in retailing during the last few years, change within the composition of the Exec

Top 15 department stores

Company	1989 Sales (000 omitted)	Stores
1. May, St. Louis	$8,197,000	288
2. R.H. Macy, N.Y.C.	6,974,141	149
3. Federated, Cincinnati	4,867,200	132
4. Dillard, Little Rock	3,049,062	162
5. BATUS, Louisville	2,825,000*	94
6. Carter Hawley Hale, Los Angeles	2,787,393	113
7. Allied, Cincinnati	2,706,300	128
8. Nordstrom, Seattle	2,671,114	59
9. Mercantile, N.Y.C.	2,312,802	80
10. Belk, Charlotte, N.C.	2,010,000*	335
11. Dayton Hudson, Minneapolis	1,801,000	37
12. Neiman Marcus Group, Chestnut Hill, Mass.	1,282,900	23
13. P.A. Bergner, Milwaukee	1,240,000*	66
14. Woodward & Lothrop, Washington, D.C.	914,000*	31
15. Hess's, Allentown, Pa.	616,900	76

* *Chain Store Age Executive* estimate

Source: Annual reports/*Chain Store Age Executive* research

Top 15 drug store chains

Company	1989 Sales (000 omitted)	Stores
1. Walgreen, Deerfield, Ill.	$5,380,133	1,484
2. American Drug Stores, Oak Brook, Ill.	3,500,000	672
3. Eckerd, Clearwater, Fla.	3,200,000	1,630
4. Rite Aid, Shiremanstown, Pa.	3,172,797	2,352
5. Thrifty, Los Angeles	2,139,000*	780
6. Revco, Twinsburg, Ohio	2,700,000	1,870
7. Longs Drug Stores, Walnut Creek, Calif.	2,110,574	248
8. CVS, Woonsocket, R.I.	1,950,000	789
9. Hook-SupeRx, Cincinnati	1,730,000*	1,028
10. Pay Less Drug Stores, N.W., Wilsonville, Ore.	1,600,000*	294
11. Phar-Mor, Youngstown, Ohio	1,300,000*	165
12. Peoples Drug Stores, Alexandria, Va.	1,020,100	490
13. Thrift Drug, Pittsburgh	1,088,000	471
14. Perry Drug Stores, Pontiac, Mich.	669,605	215
15. F&M Distributors, Warren, Mich.	554,000*	75

**Chain Store Age Executive* estimate

Source: Annual reports/*Chain Store Age Executive* research

Top 15 discount stores

Company	1989 Sales (000 omitted)	Stores
1. K mart, Troy, Mich.	$24,210,000	2,194
2. Wal-Mart, Bentonville, Ark.	20,969,786	1,402
3. Target, Minneapolis	7,519,000	399
4. Ames Dept. Stores, Rocky Hill, Conn.	5,065,000	690
5. Meijer, Grand Rapids, Mich.	2,800,000*	56
6. Fred Meyer, Portland, Ore.	2,284,535	125
7. Hills Dept Stores, Canton, Mass.	2,075,603	208
8. Bradlees, Braintree, Mass.	1,751,318	129
9. Caldor, Norwalk, Conn.	1,651,000	118
10. Rose's, Henderson, N.C.	1,507,560	259
11. Venture Stores, O'Fallon, Mo.	1,339,000	75
12. ShopKo Stores, Green Bay, Wis.	1,555,851	98
13. Jamesway, Secaucus, N.J.	871,548	130
14. Smitty's, Phoenix	755,000	24
15. Fedco, Santa Fe Springs, Calif.	720,000	12

**Chain Store Age Executive* estimate

Source: Annual reports/*Chain Store Age Executive* research

Top 15 home center chains

Company	1989 Sales (000 omitted)	Stores
1. Home Depot, Atlanta	$2,758,535	118
2. Lowe's, North Wilkesboro, N.C.	2,650,500	296
3. Payless Cashways, Kansas City, Mo.	2,004,000	195
4. Builders Square, San Antonio	1,750,000*	141
5. Hechinger, Landover, Md.	1,229,572	107
6. HomeClub, Fullerton, Calif.	1,071,000	58
7. Grossman's, Braintree, Mass.	1,052,095	157
8. Wickes Lumber, Vernon Hills, Ill.	1,000,000	190
9. 84 Lumber, Eighty-Four, Pa.	800,000	334
10. Sutherland Lumber, Kansas City, Mo.	726,000*	92
11. Menard's, Eau Claire, Wis.	660,000*	45
12. Builders Emporium, Irvine, Calif.	630,000	108
13. Channel Home Centers, Whippany, N.J.	575,000	89
14. Scotty's, Winter Haven, Fla.	561,126	165
15. Rickel, South Plainfield, N.J.	503,000	50

**Chain Store Age Executive* estimate

Source: Annual reports/*Chain Store Age Executive* research

100 is inevitable.

Seven companies failed to repeat on the list. Two, Grand Union and Carson Pirie Scott, were acquired and are part of bigger entities, Penn Traffic and P.A. Bergner, respectively.

The other five—CFM Franchising, DeMoulas Market Basket, Highland, Strawbridge & Clothier, and Woodward & Lothrop—failed to achieve the $1 billion sales mark that became the cutoff for this year's list.

Already changes can be guaranteed for the 1991 edition. BATUS has been dissolved, with Marshall Field going to Dayton Hudson, Ivey's to Dillard, and Saks Fifth Avenue to Investcorp.

In addition, Pace Membership is now part of K mart, while Imasco is selling People's drug stores to Melville. Grossman's and Wickes Lumber are both paring stores under reorganization plans that may well reduce their chances to be part of the Exec 100 next year.

Days ahead: The outlook for the full year 1990 is not encouraging. Sluggish sales will continue until interest rates ease later this summer, says Rosalind Wells, chief economist at the National Retail Federation.

While she forecasts improvement both in the economy and GAF stores beginning in the fourth quarter, Wells predicts that sales gains will lag behind last year.

She expects GAF sales increases of 5½% vs. 6% of a year ago. After accounting for inflation, real GAF sales will improve by 3% compared to 4¼% in 1989, says Wells. ■

Top 15 full price apparel chains

Company	1989 Sales (000 omitted)	Stores
1. The Limited, Columbus, Ohio	$4,647,916	3,168
2. Mervyn's, Hayward, Calif.	3,858,003	221
3. The Gap, San Bruno, Calif.	1,586,596	960
4. Petrie Stores, Secaucus, N.J.	1,257,522	1,569
5. U.S. Shoe, Cincinnati	1,234,500	1,771
6. Charming Shoppes, Bensalem, Pa.	808,637	1,013
7. Woolworth, N.Y.C.	735,000	1,628
8. Melville Corp., Rye, N.Y.	728,726	1,049
9. Hartmarx, Chicago	699,000	502
10. Eddie Bauer, Redmond, Wash.	600,000*	120
11. Edison Bros., St. Louis	594,300	1,330
12. Merry-Go-Round, Joppa, Md.	478,923	613
13. Talbots, Hingham, Mass.	452,800	156
14. United Retail Group, Rochelle Park, N.J.	400,000*	365
15. County Seat, Dallas	325,000*	375

Chain Store Age Executive estimates

Source: Annual reports/*Chain Store Age Executive* research

Top 15 supermarket chains

Company	1989 Sales (000 omitted)	Stores
1. Kroger, Cincinnati	$19,103,671	2,190
2. American Stores, Salt Lake City	18,504,154	1,359
3. Safeway Stores, Oakland, Calif.	14,324,600	1,261
4. A&P, Montvale, N.J.	11,147,997	1,215
5. Winn-Dixie Stores Jacksonville, Fla.	9,151,145	1,229
6. Albertsons, Boise, Idaho	7,422,663	523
7. Supermarkets General Holdings, Carteret, N.J.	5,795,748	214
8. Publix Super Markets, Lakeland, Fla.	5,386,246	367
9. Vons Cos., El Monte, Calif.	5,220,700	328
10. Food Lion, Salisbury, N.C.	4,717,066	663
11. Ahold USA, Parsipanny, N.J.	4,057,000	342
12. Giant Food, Landover, Md.	3,248,942	149
13. Stop & Shop Cos., Braintree, Mass.	2,884,713	117
14. Penn Traffic Co., Johnstown, Pa.	2,699,847	544
15. Ralphs Grocery, Compton, Calif.	2,556,100	142

Source: Annual Reports/*Chain Store Age Executive* research

Top 15 hard lines chains

Company	1989 Sales (000 omitted)	Stores
1. Toys "R" Us, Paramus, N.J.	$4,337,830*	478
2. Tandy, Fort Worth	4,180,703	7,337
3. Circuit City, Richmond, Va.	2,096,588	149
4. Sherwin Williams, Cleveland	1,346,000	1,896
5. Western Auto, Kansas City, Mo.	1,200,000*	356
6. Barnes & Noble/B. Dalton, N.Y.C.	1,200,000*	1,200
7. Waldenbooks, Stamford, Conn.	1,000,000*	1,324
8. Highland Superstores, Plymouth, Mich.	924,674	93
9. Silo, Philadelphia, Pa.	885,000*	206
10. Child World, Avon, Mass.	830,269	174
11. Pep Boys—Manny, Moe & Jack, Philadelphia, Pa.	798,691	281
12. Kay-Bee, Pittsfield, Mass.	723,898	777
13. Herman's, Carteret, N.J.	709,000*	270
14. Northern Automotive, Phoenix	650,000*	828
15. Lechmere, Woburn, Mass.	650,000	18

Chain Store Age Executive estimate

Source: Annual reports/*Chain Store Age Executive* research

Top 15 convenience chains

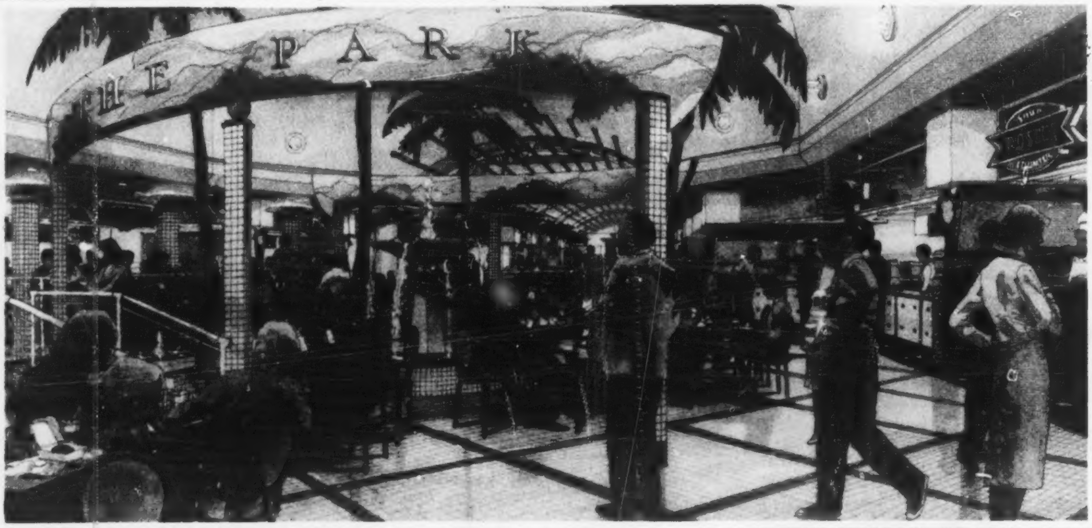
Company	1989 Sales (000 omitted)	Stores
1. Southland Corp., Dallas	$8,274,900	5,632
2. Circle K Corp., Phoenix	3,493,107	4,685
3. Emro Marketing, Springfield, Ohio	1,250,000*	1,682
4. National Convenience Stores, Houston	1,072,507	1,142
5. CFM Franchising, Rosemont, Ill.	875,000*	1,120
6. Cumberland Farms, Canton, Mass.	800,000*	1,150
7. Dairy Mart, Enfield, Conn.	716,859*	1,133
8. Fast Fare, Baltimore	663,000*	578
9. Conoco Oil, Houston	630,000*	535
10. BP America, Cleveland	600,000*	850
11. Wawa, Wawa, Pa.	534,000*	450
12. Racetrac Petroleum, Atlanta	510,000*	300
13. Convenient Industries of America, Louisville, Ky.	500,000*	273
14. Coastal Mart, Houston	450,000*	850
15. Quick Trip, Tulsa	450,000*	268

Chain Store Age Executive estimate

Source: Annual reports/*Chain Store Age Executive* research

FLORIDA PLAYS A WAITING GAME

ENVIRONMENTAL AND FINANCIAL FACTORS IMPEDE EXPANSION



Robert B. Aikens & Associates is remodeling *Panama City Mall to accommodate a growing, fashion-conscious market.*

Lack of sites. Vacancy. The credit crunch. Concurrency. All have conspired to transform the former boom land of northern Florida into yet another hard-to-develop area.

Perhaps the greatest problem, as elsewhere in the U.S., is the simple fact that where projects could be built, they already have been built. At the same time, there just aren't enough viable tracts for developing many more new shopping centers. Many vacant areas have ecological difficulties, with wetlands a common problem.

Meanwhile, not all existing projects are fully leased, due to a variety of factors. Some centers, built in the heady days of the mid-1980s, are poorly located, poorly built or underfinanced. Others suffer from problems out of their control, such as the uncertain anchor situation.

Rocky Hill, Conn.-based Ames recently announced its plan to pull out of Florida entirely, leaving more than 80 sites empty around the state. While the entry of Target into the market bolsters the retail picture somewhat, many developers with an empty anchor are forced to play a waiting game.

"Lots of plans end up on hold. It's almost a shell and pea game," says James W. Roberts Jr., president of Tampa-based Roberts & Associates Southeast.

It was an earlier entry into the market that now makes some builders gun-shy. "The entry of Food Lion into the market encouraged too much building. We now have inordinate vacancy across the board, maybe up to 20%," says Robert L. Gittings, sales manager, Walter Dickinson Inc., Jacksonville.

Most of the vacancy may be the developers' responsibility, particularly in a still-growing area such as Ocala, believes Alan Goldberg, president of Property Systems Inc. (PSI), Fort Lauderdale.

"The market is soft, but not as a result of overbuilding. Centers are not well leased because of bad layouts or location, or because they're unanchored," Goldberg says.

Northern Florida

1989 retail sales: $29,820,293,000
1989 population: 4,416,616
1994 population: 4,961,858
1989 median household income: $23,432
1994 median household income: $29,058

Source: Donnelley Marketing Information Services

Lenders are hesitant: Perhaps because of the absorption factor, as well as their own financial troubles, lenders are as tight with funding in Florida as anywhere in the U.S.

"We can get some money, but it's tough. Lenders are looking for as much pre-leasing as they can get," says Park Grimmer, vp, Grimmer Realty, Birmingham. The firm is building a 135,000-sq.-ft. strip in Destin, between Panama City and Pensacola.

Florida developers must also deal with the state's unique concurrency law, which mandates that new construction cannot begin without the prerequisite improvements in place. Building has come to a virtual standstill in some already-developed areas.

David V. Andrews, vp-commercial marketing, the Mitchell Co., Mobile, Ala., notes that the law was needed in some regions where "10 people may be living on five people's water. Concurrency may have gone overboard in some small areas, but it probably should have been done 10 years ago in Orlando, Dade County and Palm Beach," Andrews says.

"The first five horses are gone, but five are left, so we have to close the door to keep them in. We have to be concerned with the quality of life five and 10 years from now," Andrews adds.

"Concurrency is creating the equivalent of a moratorium on building. But if you happen to have a good piece of developable land," the value is even greater, Goldberg says.

Yet developers continue to search for land in the Sunshine State. And some developers continue to find viable sites.

Major mall activity is underway in Jacksonville, with the soon-to-be completed Mall of the Avenues, built by Edward J. DeBartolo Corp. and CBL & Associates (*Chain Store Age Executive*, May 1990).

Still in the planning stages is another regional mall by Montgomery, Ala.-based Aronov. Peripheral development, including a 400,000-sq.-ft. power center being built by PSI near the Mall of the Avenues, also continues.

The city is, in fact, at the tail end of a building boom over the last 18 months, with vacancy still a problem in some areas.

Another reason for some vacancy may be the topography of the city. Consumers still tend to not cross natural boundaries such as mountains or rivers.

"Jacksonville is a sectional city, and very widespread. There is one market on one side of the [St. John's] river, and another on the other," says Theresa Birchett, manager/marketing director of Atlanta-based Carter & Associates' Riverplace, which opened in fall 1989.

"Jacksonville started its building late. It has tremendous water resources, with the ocean, and the river, but to most parts of Florida, Jacksonville is an extension of Georgia," Roberts says.

The neglected St. Augustine region will get its first outlet center with the opening of St. Augustine Outlet Center.

"There's no other significant manufacturer's outlet project in the market. In fact, there's little other conventional retail," says Kenneth Morin, director of leasing at the Sembler Co., St. Petersburg, the project's developer.

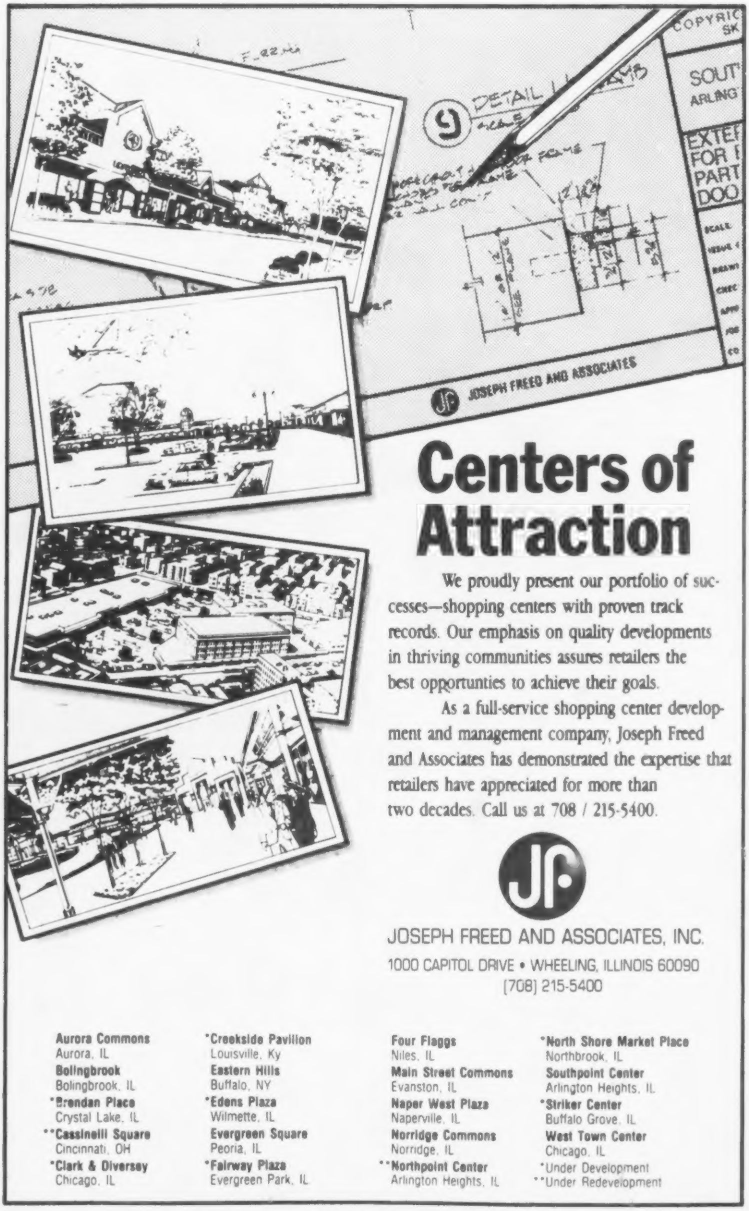
On the Gulf Coast: The Panama City and Pensacola markets on the Gulf Coast are a bit busier than state capital Tallahassee, located inland.

Troy, Mich.-based Robert B. Aikens & Associates is remodeling its Panama City Mall, both to update its look and accommodate a growing

Jacksonville Metropolitan Statistical Area

1989 retail sales: $6,422,070,000
1989 population: 909,648
1994 population: 1,004,777
1989 median household income: $27,250
1994 median household income: $34,169

Source: Donnelley Marketing Information Services



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NORTHERN FLORIDA DEVELOPMENTS

Edward J. DeBartolo Corp.:
The Mall of the Avenues, 1,200,000 sq. ft., Jacksonville: opening fall 1990.
Joint venture with CBL & Associates
Crystal River Mall, 486,000 sq. ft., Crystal River: opening October 1990
Highland Lakes Center, 489,000 sq. ft., Orlando: In planning stage; no opening date set

Schroder Center Management:
Orlando Fashion Square, 920,000 sq. ft., Orlando: Renovation and expansion to be completed fall 1991

Grimmer Realty:
Eme[illegible] Coast Centre, 135,000 sq. ft., Destin: Phase 2 to be completed April 1991

Robert B. Aikens & Associates:
Panama City Mall, 650,000 sq. ft., Panama City: Renovation and food court expansion to be completed spring 1991

The Sembler Co.:
St. Augustine Outlet Center, 226,000 sq. ft., St. Augustine: Phase 1 to be completed November 1990

The Mitchell Co.:
To be named, 170,000 sq. ft., Titusville: Now in ~~approvals, sch~~eduled for a fall 1991 opening

Bay Plaza Cos.
Bay Plaza Waterfront Retail District, 2,080,000 sq. ft., St. Petersburg: Phase 1 of mixed-use project opening October 1990

Carter & Associates:
RiverPlace, 236,000 sq. ft., Jacksonville: Most recent phase opened March 1990

Angeles Real Estate:
Plaza of the Oaks Shopping Center, 187,000 sq. ft., Port Richey: Now leasing two anchors

Colonial Properties:
Altamonte Crossing, 300,000 sq. ft., Altamonte Springs: opening summer 1991

Property Systems Inc.
Westland Park Plaza, 120,000 sq. ft., Jacksonville: Planning to add 60,000 sq. ft.
Southside Square, 400,000 sq. ft., Jacksonville: Groundbreaking this fall for a fall 1991 opening

market, says Laurie Bippus, corporate marketing director. The center will become slightly more fashion-oriented, Bippus says.

The firm also recently remodeled its Cordova Mall in Pensacola.

"Pensacola is turning around a bit. It's a tough market, but now starting to come around," says Susan Hampel, vp, director of marketing of Atlanta-based New Market Development. The firm recently renovated Cordova Commons, near the Aikens mall.

Destin, between the two markets, is a growing resort area, Grimmer says. "Destin has become a big year-round resort area, with a strong economy 10 months of the year," Grimmer says.

Gainsville is slow all around, however. "The city is seeing very little activity. It's hard to develop. There isn't a lot of land around, and the planning boards go by the book," says Marc Milgram, president, the Florida Shopping Center Group, Miami.

"Crystal River is a growing area, with a fairly good mix—some retirees, some snowbirds. It's also the home of the manatee, which is a big tourist attraction," says Greg Eroe, corporate director of marketing at Don M. Casto Organization, Columbus, Ohio. The firm owns the 87,000-sq.-ft. Crystal River Shopping Center.

Shifting demographics may also provide new opportunities—eventually. "Port Richey had been a retire-

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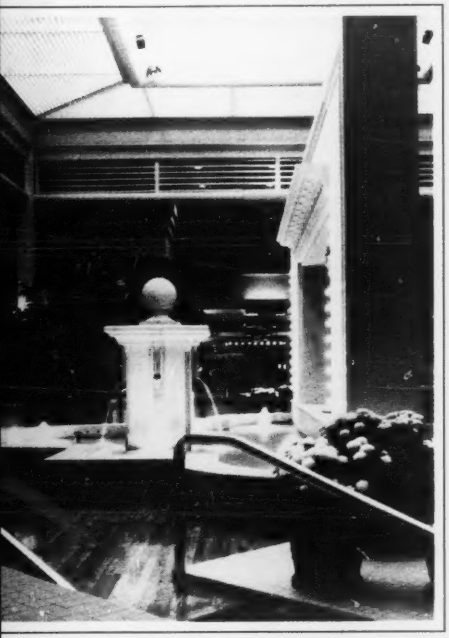

ment community. Now there's an upswing of younger people entering the area to run the services for them," says Randy Dallman, senior leasing representative at Los Angeles-based Angeles Real Estate.

The growth of the area has spurred the expansion of roads by the firm's Plaza of the Oaks Shopping Center.

Farther south, DeBartolo is building another regional mall to open later this year in Crystal River, on the Gulf Coast.

Inland, the Orlando market has seen so much building that absorption is the main goal for now.

Many centers, including New York City-based Schroder Management's Orlando Fashion Square, are remodeling or expanding.

New development appears to favor promotionally-oriented projects. Birmingham, Ala.-based Colonial Properties is now building a 300,000-sq.-ft. center anchored by Target and Home Depot in nearby Altamonte Springs.

"This spot is one of the last sites in Florida," says John Moss, vp-retail.

Most developers believe that the tide will eventually turn. "The business is cyclical, and always will be," Gittings says.

"I'm not as big a pessimist about overbuilding, but I'm not saying you don't have to be cautious. Retailing is soft. Some companies will be slower to make decisions regarding expanding," Goldberg says.

"The process just takes longer. If you have a good, well-founded project, it can get done," Andrews says. ■

Orlando Metropolitan Statistical Area

1989 retail sales: $7,117,677,000
1989 population: 982,150
1994 population: 1,123,284
1989 median household income: $27,566
1994 median household income: $34,115

Source: Donnelley Marketing Information Services

EMERALD COAST CENTRE
DESTIN FLORIDA

Phase I of Emerald Coast Centre, which includes a 72,000 sq. ft. Wal-Mart, was completed on November 8, 1989. Construction on Phase 2 will begin this summer and will be ready for occupancy in the Spring of 1991. It will include a 45,000 sq. ft. Food World and 15,000 sq. ft. of small shops.

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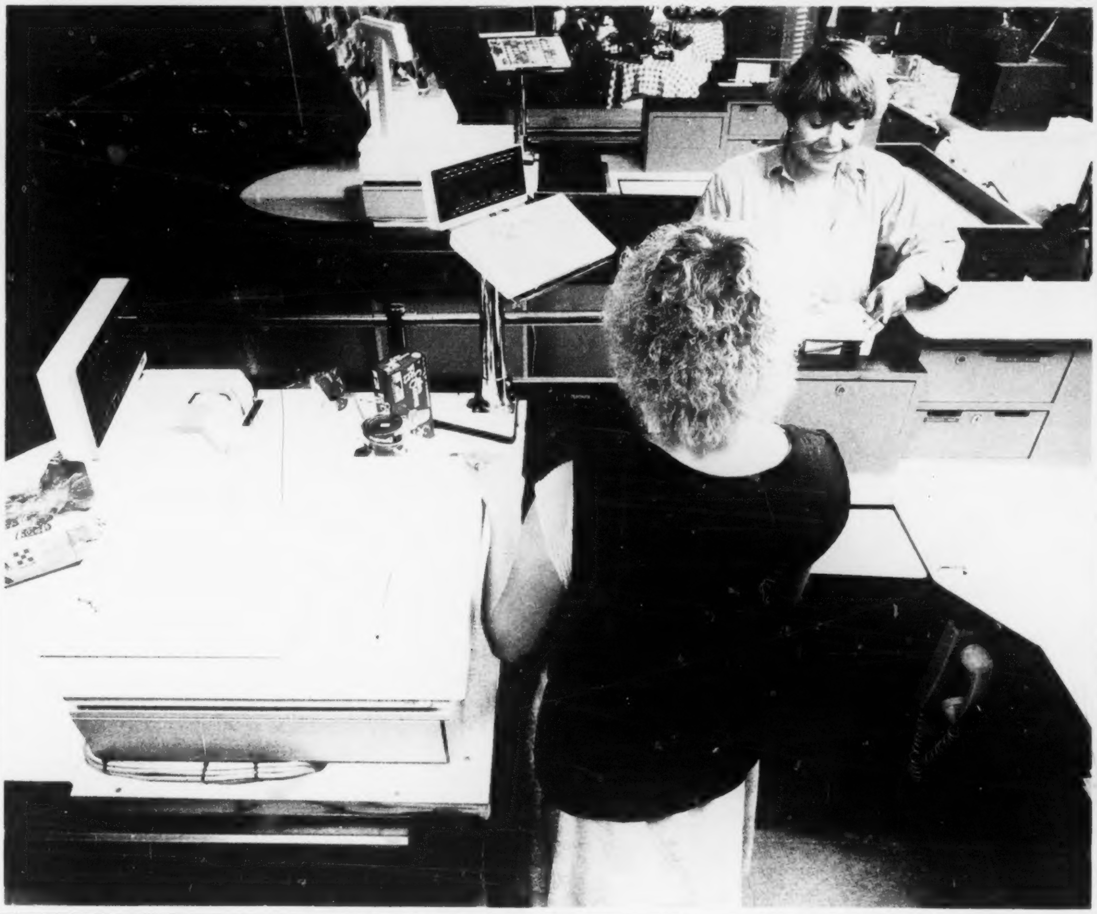
MIS BUDGETS CONTINUE TO RISE

BIG GAINS IN EDI SHOWN IN EXEC'S FIRST JOINT POLL WITH ERNST & YOUNG



Sixty-six percent of retailers *are now making use of some type of scanning technology.*

Retailers spent more on Management Information Systems (MIS) in 1989 than they did in 1988—both in total spending and as a percent of sales.

Further, more retailers than ever are now making use of scanning technologies and communicating with their vendors via Electronic Data Interchange (EDI).

These are among the findings of the first annual survey of retail information technology expenses and trends sponsored jointly by *Chain Store Age Executive* and the accounting firm Ernst & Young.

Prior to this year, Ernst & Young had been surveying MIS executives annually for eight years, and *Chain Store Age Executive* had been conducting a poll of its own for two years.

Respondents represent a total sales volume of $156 billion

Then, last January, the two companies began talks about pursuing the survey in cooperation with each other. By March, a jointly-produced survey form was printed and mailed to retail MIS executives throughout the country.

The results far exceeded expectations: Responses were received from 157 companies, more than double the response rate that either survey had achieved the previous year.

The 157 companies represent a total sales volume of $156 billion, for an average of nearly a billion dollars each.

Included among these companies are 16 department stores, 16 mass merchants, 22 specialty apparel chains, 36 specialty hardline chains, and 18 supermarket retailers.

The size of the response rate makes

it possible to examine data not only by size of company and by class of trade—but also, for the first time, by size of company *within* each class of trade.

A complete report on the survey's findings will appear as a 40-page supplement which will be mailed with the upcoming October issue of *Chain Store Age Executive*. At press time, the raw data was still being analyzed, but some of the early findings include:

Expenses: The 157 respondents spent a total of $808 million on MIS in 1989, compared to $729 million in 1988, for a gain of 10.89%. As a percent of sales, too, spending gained—0.85% in 1989 against 0.80% in 1988, for a rise of 6.25%.

Only department stores saw a decline in their spending both in the dollar and percent-of-sales comparison. Meanwhile, mass merchants posted a 9.21% gain in the percent-of-sales comparison, and a whopping 16.14% gain in actual dollars.

Payroll, taxes and benefits claimed the lion's share of MIS spending for all classes of trade except mass merchants, who spent more on communications (28%). Supermarkets, by contrast, spend only 4% of their budgets on communications.

Compensation: The average pay for a director of MIS was $66,306 in 1989. Highest average salaries, approaching $70,000 or more, were in the mass merchant and specialty apparel classes of trade. Lowest compensation was in supermarkets, which showed an average salary of $58,555.

The average number of full-time employees in a retail MIS department was 57. The largest staffs were in department stores, which had an average of 153 employed. The smallest staffs were at specialty hardlines stores, with 25 employed.

The organization of the average MIS department is 27% management, 73% staff. Forty-three percent of personnel within the department concentrate on systems development, 14% on technical support, 37% on computer operations, and 6% on administration.

Use of scanning: Sixty-six percent of retailers are now making use of some type of scanning technology. The biggest users are mass merchants, specialty apparel stores and supermarkets—all are heavily scanned at the point of sale, and the former two are substantially scanned in the warehouse as well.

The most popular type of scanner is the hand-held variety, except in supermarkets, where the fixed-head stationary type has established a stronghold. In all but department stores and specialty apparel stores, wands are virtually unknown.

In all classes of trade, UPC-A remains the most commonly-used type of bar code (58%). Code 128 and Interleaved 2 of 5 tie for a distant second place (10%).

EDI: Thirty five percent of companies are now using EDI. This is a significant gain from last year, when the

Use of EDI technology

	All respondents	Dept.	Mass merch.	Specialty apparel	Specialty hardlines	Super-market
Now using	35%	42%	58%	35%	38%	25%
Not using	**65**	**58**	**42**	**65**	**62**	**75**

Source: Ernst & Young

Use of bar code and scanning technology

	All respondents	Dept.	Mass merch.	Specialty apparel	Specialty hardlines	Super-market
Now Scanning	66%	50%	100%	82%	36%	94%
At POS	**46**	**29**	**93**	**41**	**20**	**94**
In warehouse	29	21	57	53	20	17
In store	**20**	**7**	**43**	**12**	**—**	**50**

Source: Ernst & Young

Applications in POS/in-store systems intended for improvement/development within two years

	All respondents	Dept.	Mass merch.	Specialty apparel	Specialty hardlines	Super-market
COMPANY-WIDE						
Inventory control	**68%**	**64%**	**69%**	**42%**	**75%**	**60%**
Merchandise planning	**62**	**57**	**44**	**74**	**72**	**67**
Purchase order management	**58**	**64**	**56**	**37**	**64**	**47**
EDI	**57**	**57**	**75**	**74**	**50**	**40**
Sales reporting	**54**	**21**	**44**	**47**	**56**	**53**
Forecasting	**54**	**36**	**50**	**47**	**61**	**53**
Open to buy	**48**	**71**	**50**	**58**	**50**	**13**
Accounts payable	**48**	**29**	**31**	**37**	**56**	**40**
Executive information systems	**45**	**43**	**44**	**58**	**50**	**47**
Sales audit	**43**	**36**	**19**	**47**	**56**	**27**
Human resources	**33**	**36**	**13**	**47**	**28**	**33**
Payroll	**31**	**21**	**0**	**32**	**17**	**47**
Quick Response	**31**	**43**	**69**	**37**	**22**	**13**
IN-STORE						
Store receiving	**51**	**43**	**38**	**42**	**61**	**67**
Price changes	**50**	**64**	**31**	**63**	**42**	**60**
Wanding/scanning	**49**	**57**	**19**	**53**	**67**	**47**
Price look-up	**46**	**50**	**25**	**68**	**36**	**47**
Inventory availability	**45**	**36**	**25**	**42**	**50**	**47**
Electronic mail	**43**	**7**	**44**	**37**	**36**	**40**
Timekeeping	**41**	**21**	**25**	**53**	**28**	**67**
Labor scheduling	**40**	**36**	**50**	**53**	**22**	**73**
Promotional price look-up	**38**	**43**	**6**	**37**	**33**	**33**
Store ordering	**38**	**7**	**38**	**16**	**44**	**60**
Transfers	**38**	**50**	**25**	**53**	**36**	**13**
Sku sales capture	**34**	**50**	**19**	**21**	**31**	**47**
Check approval	**31**	**21**	**31**	**32**	**19**	**47**
DISTRIBUTION CENTER						
Receiving	**49**	**57**	**31**	**47**	**56**	**27**
Picking	**34**	**14**	**50**	**42**	**33**	**13**
Ticketing	**30**	**36**	**38**	**21**	**31**	**7**
Putaway	**27**	**14**	**38**	**32**	**22**	**13**
Receipt planning	**25**	**29**	**25**	**42**	**25**	**13**
Labor scheduling	**24**	**7**	**50**	**37**	**17**	**27**
Slot management	**23**	**14**	**44**	**5**	**14**	**27**
Store billing	**18**	**7**	**13**	**11**	**19**	**27**
Wave planning	**13**	**7**	**25**	**5**	**11**	**7**

Source: Ernst & Young

***Electronic cash registers** and programmable cash registers are the favored types of POS devices.*

survey found that 26.5% of retailers had EDI in place, but 40.8% were planning to use it within 18 months.

Most retailers using EDI cited shortening the reorder fulfillment cycle as the primary reason (39%). Other reasons cited were reducing inventory levels (24%), improving the accuracy of data (21%), gaining a competitive edge (20%), and reducing expenses (18%).

The VICS/ANSI X.12 communication format has established itself as the leading EDI format in all classes of trade. The exception is supermarkets, where the Uniform Communication Standard (UCS) is favored.

Most retailers are purchasing packaged EDI software, or software provided by a third party network. Relatively little (26%) is developed in-house.

POS systems: Electronic cash registers (36%) and programmable cash registers (46%) are the favored types of POS devices. Mechanical cash registers (3%) are all but extinct. About 25% of mass merchants use hand-held terminals at the POS.

About 12% of retailers said they installed their present POS system more than 10 years ago; 16% said it is 6-10 years old; and 46% said theirs is 2-6 years old.

Twenty-nine percent of retailers said they plan to migrate their in-store systems to a platform independent, UNIX-based environment. These plans were particularly prevalent among supermarkets (47%) and mass merchandisers (38%). Only 10% of specialty apparel stores mentioned such plans.

Emerging technologies: Up and coming applications which retailers plan to implement in the years ahead include signature verification systems (3%), frequent buyer programs (39%), electronic shelf tags (12%), wireless POS devices (16%), interactive promotional video displays (11%), electronic aisle billboards (3%), self-service merchandise dispensing systems (1%), imaging systems (21%), interactive voice response systems (12%), and expert systems (26%). ■

—Bruce Fox

Types of scanners used among companies now scanning at POS

	All respondents	Dept.	Mass merch.	Specialty apparel	Specialty hardlines	Super-market
Hand-held	64%	78%	79%	88%	80%	11%
Stationary	46	22	57	—	30	100
Wand	9	22	7	13	—	6

Source: Ernst & Young

Applications of hand-held terminals in store

	All respondents	Dept.	Mass merch.	Specialty apparel	Specialty hardlines	Super-market
Ordering	31%	—	50%	—	12%	94%
Physical inventory	27	15%	44	17%	23	31
Price verification	21	—	50	—	8	69
Store receiving	17	—	31	11	8	50
Price changes	8	—	13	—	8	31
Sales recording	8	—	6	8	—	19
Don't use hand-helds	48	85	13	67	73	6

Source: Ernst & Young

Breakdown of MIS Budgets

	All respondents	Dept.	Mass merch.	Specialty apparel	Specialty hardlines	Super-market
Payroll/taxes/benefits	31%	37%	21%	39%	42%	41%
Hardware/software depreciation	19	28	10	26	28	30
Supplies, rental and maintenance	11	9	1	20	19	25
Communications expense	19	15	28	4	4	4

Source: Ernst & Young

JUNE PROMOTIONS NET LACKLUSTER RESULTS

BUT SPECIALTY APPAREL STORES TURN IN HEFTY GAINS

Sales results for most of the nation's top retailers were restrained and sluggish in June, as lower prices and special promotions failed to create more than small rebounds.

Specialty apparel stores were the shining exception to the rule. The major gains they have posted since the beginning of the year continued unabated.

The Gap showed a 31.5% overall increase, to $167 million, for the month. Its comparable-store increase was 24%. At Merry-Go-Round, sales climbed 33.5% to $46.2 million. Same-store sales rose 29%.

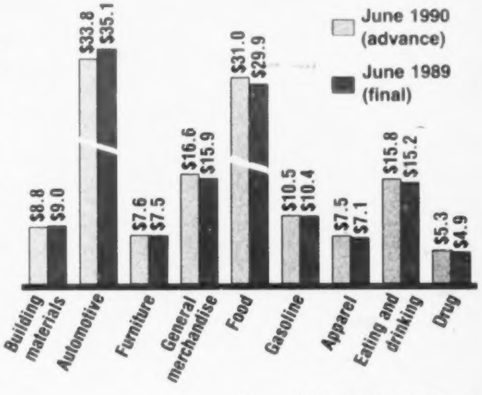
Among discount stores, Wal-Mart kept up its strong pace with a 28.5% sales gain, to $2.6 billion. Same-store sales rose 14%.

Sales at Sears picked up after a dismal May, but were still unimpressive. The nation's largest retailer posted a June gain of 3.5%, after a 0.9% increase in same-store sales the previous month.

Analysts say the current retail doldrums can be attributed to consumers losing confidence in their financial security and becoming more wary about spending.

JUNE SALES

(Seasonally adjusted, figures in billions)



Source: U.S. Department of Commerce

CHAIN PERFORMANCE

Company	June '90 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$3,256,959	+ 3.7	+ 3.5	$13,574,170	+ 2.2	+ 2.7
K mart	3,079,057	+13.7	+ 4.3	12,560,649	+12.4	+ 2.9
Wal-Mart	2,614,000	+28.0	+14.0	11,909,000	+26.0	+12.0
Penney	1,414,000	+ 5.8	+ 4.4	6,098,000	+ 4.9	+ 3.6
Dayton Hudson	1,260,000	+11.8	+ 5.1	5,170,000	+11.9	+ 5.9
May	871,600	+ 8.0	+ 3.2	3,785,100	+ 9.7	+ 5.0
Melville[1]	735,144	+13.5	N/R	3,701,234	+11.4	N/R
Walgreen[1]	494,811	+11.0	+ 7.8	2,976,048	+12.5	N/R
Woolworth	474,000	+ 8.7	+ 4.9	2,099,000	+ 8.6	+ 5.5
The Limited	446,000	+15.0	+ 5.0	1,913,000	+15.0	+ 9.0
Carter Hawley Hale	246,600	+ 1.0	+ 0.5	1,038,300	+ 0.7	+ 0.2
Mercantile	192,682	+ 2.4	+ 1.9	869,736	+ 2.3	+ 1.9
Circuit City[2]	184,600	+23.0	+ 6.0	N/R	N/R	N/R
Hills	163,200	+ 2.1	+ 0.5	752,800	+ 7.7	+ 4.3
The Gap	167,000	+31.0	+24.0	693,000	+24.0	+17.0
Rose's	116,195	+ 7.7	+ 6.1	610,893	+ 6.0	+ 3.4
Neiman-Marcus Group[3]	142,400	+ 8.4	+ 5.4	1,573,500	+13.6	+ 8.9
Edison Bros.[1]	101,800	+18.6	N/R	433,500	+15.0	N/R
Jamesway	98,548	+19.0	+12.0	166,353	+11.0	+ 4.0
Ross	73,000	+11.0	N/C	304,000	+ 7.0	− 3.0
Dollar General	46,400	+ 3.0	− 1.9	234,200	+ 2.3	− 2.4
Best Buy[4]	55,000	+25.0	+ 5.0	181,000	+21.0	N/R
Gottschalks	24,000	+29.1	+12.4	94,983	+23.5	+12.1
Claire's	20,610	+45.0	+12.0	91,070	+51.0	+15.0

[1] fiscal year ends Dec. 31
[2] fiscal year ends Feb. 28
[3] fiscal year ends July 31
[4] fiscal year ends Mar. 31
N/R = not reported

Source: Company reports

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Chain Store Age
EXECUTIVE
with Shopping Center Age
The newsmagazine for retail management
September 1980 · ISSUED IN THREE SECTIONS

KEEPING IT SIMPLE

DAIRY BARN
NEW YORK
ICE CREAM
ICED TEA
DRIVE-THRU

Long Island's Dairy Barn Skirts Troubled C-store Trends

Edgar Cosman, president

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Any 2 For $7
RETURN POLICY

HIGH PERFORMANCE RETAILERS

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SECTION THREE

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"Occasionally we feature children's and men's clothing, but this accounts for less than 10% of our business," says Jacobs.

Although One Price's typical customer is predominantly blue-collar, Jacobs says the chain appeals to anyone who is looking for value.

"We sell first quality merchandise that would typically sell in department stores and specialty stores for upward of $15," he adds.

One Price is able to offer discounted prices by buying large quantities of goods and odd lots. The company also buys merchandise later in the season than most other retailers. The buyers utilize more than 1,500 vendors.

After the goods are purchased, they are brought to the chain's 250,000-sq.-ft. distribution center. Merchandise is shipped to the stores via trucks once a week.

With few exceptions, One Price outlets are located in strip centers. "We have found that strip centers work best for us," says Jacobs. "They are convenient for our customers and easily accessible. We are not interested in paying the premium rents that go with a mall location."

With carpeted floors, plain walls and fixture racks, One Price stores feature a simple design. All stores are identical with charcoal gray interiors and six dressing rooms.

Expansion plans: One Price expects to close out 1990 with about 300 stores. Future plans call for 500 stores by the end of 1993. With stores in 10 states from Texas to Virginia, Jacobs believes there are no geographical constraints to the company's growth. This fall, One Price will open its first store in Ohio.

"We are no longer just a Southeastern company," Jacobs says. "Our plan is to gradually move up the East Coast."

To date, One Price's explosive growth has been fueled largely by word of mouth. The chain does no advertising except to announce new store openings. Jacobs sees no reason to deviate from that policy as the chain grows.

Jacobs seems confident that one-price retail will meet an enthusiastic response in the new targeted markets.

"We believe we have a great concept and we plan to stick with it," he says. "It's worked pretty well for us so far." ■

—Marianne Wilson

RANKING RETAIL CHAMPIONS

SOME UNFAMILIAR COMPANIES AMID THE VETERANS

To be a High Performance Retailer, a company must demonstrate sustained operational integrity. High performance retailing means that a company has mastered the art and science of selling by integrating customer responsive merchandising and service with advanced logistical and operational techniques.

"Few aspects of retail performance are more rewarding or more difficult to achieve than consistency," observes Daniel J. Sweeney, chairman and principal of Management Horizons, the Dublin, Ohio-based retail consulting arm of Price Waterhouse.

"To produce both high levels of growth and high levels of profitability, not just sporadically but consistently year in and year out, clearly marks a retail firm as an extraordinary enterprise.

"Such performance reflects not merely excellence in business operations, certainly something to be admired in itself, but also keen sensitivity to customer and competitor strategies and to superior human and organization management," says Sweeney.

High Performance Retailers must demonstrate sustained operational integrity.

Retail performance is evaluated in five-year blocks, giving the High Performance Retail study both a one-time and a cumulative impact.

The one-time winner, One Price Clothing, achieved its designation based on the years 1985-89. Previous study periods cover 1984-88, 1983-87, 1982-86 and 1981-85.

Methodology: In preparing the analysis, Management Horizons reviewed all public retail companies and compiled median figures for the three measurements used. The cutoff date for release of fiscal year data for the comparisons was Aug. 8.

The medians for the current study were:

☐ Revenues growth: 13.66%
☐ Profit growth: 12.58%
☐ Return on assets: 4.94%

The median performances were then assigned an index value. Sales and earnings growths each received an index value of 50. Return on assets was weighted at double that value, or 100. The total retail performance index is the sum of the three indexes, or 200.

Each retail company's performance was indexed to the median. For example, One Price Clothing's compound revenue growth was 185%, which was 13.54 times the median compound revenue growth for all public retailers (185 divided by 13.66). Multiplying 13.54 by the index value of 50 gave One Price Clothing a revenue growth index of 677.

Similarly, the off-price apparel chain's compound profit was 9.76 times greater than the median, resulting in a [illegible] growth in[illegible] of 488. Its ROA score of 26% came in 5.26 times ahead of the median. The ROA index is multiplied by 100, so One Price Clothing's ROA index was 526.

The company's total score was 1,691 against an industry index of 200.

First timer: One Price Clothing earned its top ranking in the first year that it achieved High Performance Retailer status. Eighteen other companies, significantly, have been able to place themselves on the elite list of retailing ventures in each of the previous years Management Horizons undertook the study.

The list of repeaters, or "stayers" in Management Horizon's nomenclature, includes the leading chains in virtually all retail fields: Wal-Mart, Price Club, The Limited, Toys "R" Us, Circuit City, Home Depot, Pep

TOP PERFORMING RETAIL COMPANIES

Company	Compound revenue growth	Revenue growth index	Compound profit growth	Profit growth index	ROA	ROA index	Retail Performance index
TOTAL RETAIL MEDIAN	13.66%	50	12.58%	50	4.94%	100	200
One Price Clothing Stores	185.0%	677	122.8%	488	26.0%	526	1,691
Williams-Sonoma	37.4	137	114.5	455	6.0	122	714
The Dress Barn*	32.2	118	46.6	185	18.6	377	680
Lands End	26.0	95	17.9	71	24.9	503	669
Trans World Music*	51.4	188	62.4	248	8.2	165	601
The Gap*	25.1	92	51.6	205	13.8	280	577
The Sharper Image	19.1	70	89.1	354	7.3	147	571
Claire's Stores*	27.9	102	24.2	96	17.3	351	549
The Computer Factory	70.5	258	39.0	155	5.3	107	520
The Home Depot*	44.6	164	51.3	204	7.5	152	520
The Limited*	28.1	103	30.2	120	14.2	288	511
Wal-Mart Stores*	32.2	118	31.7	126	12.1	244	488
Medicine Shoppe International	20.5	75	26.9	107	14.9	301	483
Best Buy	55.7	204	35.7	142	6.2	126	472
Spec's Music	21.9	80	39.8	158	11.4	231	469
The Price Co.*	34.2	125	32.5	129	10.6	214	468
Quality Food Centers	19.9	73	45.8	182	10.3	209	464
Circuit City Stores*	32.2	118	31.0	123	10.6	215	456
The Good Guys*	30.3	111	40.0	159	8.7	177	447
Gantos*	30.6	112	47.6	189	7.2	145	446
Food Lion*	26.2	96	30.2	120	10.7	216	432
Arbor Drugs*	26.0	95	37.2	148	8.8	178	421
Merry-Go-Round Enterprises	24.9	91	17.9	71	12.7	256	418
Toys "R" Us*	23.0	84	23.7	94	10.1	205	383
Pier 1 Imports	24.3	89	34.0	135	6.5	131	355
Wolohan Lumber	14.5	53	33.0	131	7.6	154	338
Bruno's*	22.0	80	18.8	75	8.3	167	322
Hannaford Bros.	16.4	60	28.2	112	7.2	146	318
CUC International	41.0	150	13.8	55	5.3	107	312
Nordstrom*	22.7	83	23.2	92	6.7	135	310
Dillard Department Stores*	19.1	70	24.4	97	6.1	124	291
Pep Boys—Manny, Moe & Jack*	18.0	66	13.8	55	7.5	151	272
S&K Famous Brands	14.2	52	16.6	66	7.0	141	259

*Denotes "stayer" companies
Source: *Chain Store Age Executive*/Management Horizons

Boys—Manny, Moe & Jack.

Yet the uncertainties of the retail world have taken their toll on companies that previously had their positions locked up on the list of high performers.

Among the eight companies that failed to repeat on this year's list were five that had been on all previous lists. They include Charming Shoppes, Hechinger, Big B, Ames and Consolidated Stores, last year's top rated "stayer" company.

J. Baker, Inmac Corp., and TJX Cos. also vanished from the list.

In their places, seven newcomers: One Price Clothing, Williams-Sonoma, The Sharper Image, Medicine Shoppe International and Merry-Go-Round Enterprises.

During the course of the five years that Management Horizons has analyzed high performers, the number of qualifying retailers has varied from a low of 33 to a high of 61 during the first year of the study.

The variance is evidence both of the consolidation in the retail industry and the fewer number of retail companies that are publicly held.

The composition of the High Performance Retailers has changed slightly since the first study. Apparel specialty chains, consumer electronics stores (including computer outlets), and other hard lines chains have dominated the rankings.

Yet even in their domination there is a clearly apparent change in the field of top performers.

While the percentage of electronics chains remains fairly constant throughout the five years of the study, the raw numbers provide a different story. They have gone from 12 down to six.

Likewise, apparel chains numbered 12 in the first study, but only four this year.

Visible proof of the decline of the traditional discount store industry can been seen in the fact that only Wal-Mart is listed in the current study. Eight full-line discounters earned mentions in the first study five years ago.

On the plus side, the new list of high performers includes three mail order/retail store firms, compared to none when the study began. ■

JULY SALES SIZZLE FOR SPECIALTY STORES

BUT MIDEAST CRISIS MAY DIM FALL PROSPECTS

Good weather and promotions helped boost sales for the nation's largest retailers in July, particularly for specialty store chains, which continued to outperform the rest of the retail industry.

Industry analysts caution, however, that the Mideast crisis may dim prospects for retailing, and for the economy as a whole, in the coming months.

Apparel was the driving force behind sales growth in July. Many retailers said demand was high for new fall fashion lines. The Gap led specialty retailers with sales up a whopping 35.7% and comparable store sales up 28%. The Limited posted a 19.3% sales gain, with a same-store gain of 6%.

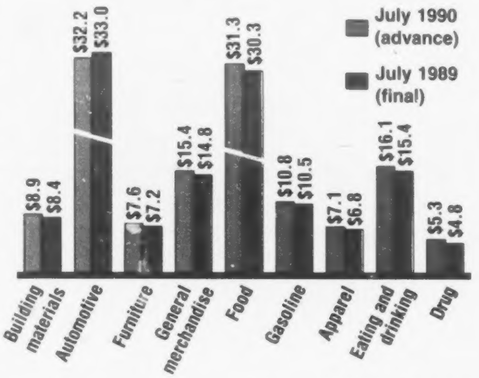
At Wal-Mart, sales gains were not as high as those of recent months, but still strong. They rose 21.4%, with a same-store gain of 8%.

The nation's two largest retailers, Sears and K mart, had modest gains. Sales at Sears gained 3.7%, an improvement over its 2.5% year-to-date increase.

K mart said its sales were up 12.1% in July. However, on a same-store basis, they increased only 2.2%.

JULY SALES

(Seasonally adjusted, figures in billions)



Source: U.S. Department of Commerce

CHAIN PERFORMANCE

Company	July '90 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,520,196	+ 3.7	+ 3.1	$16,094,366	+ 2.5	+ 2.7
K mart	2,269,148	+12.1	+ 2.2	14,829,797	+12.4	+ 2.8
Wal-Mart	2,403,000	+21.4	+ 8.0	14,312,000	+25.3	+11.0
Penney	1,005,000	+ 3.2	+ 2.0	6,584,000	+ 4.4	+ 3.3
Dayton Hudson	924,000	+16.4	+ 4.4	6,150,000	+12.6	N/R
May	606,800	+ 9.8	+ 4.4	4,379,000	+ 9.8	+ 5.0
Melville[1]	554,075	+ 9.7	N/R	4,255,309	+11.2	N/R
Walgreen[1]	491,817	+12.0	+ 8.7	3,468,313	+12.5	+ 9.1
Woolworth	389,000	+ 8.7	+ 4.9	2,488,000	+ 8.6	+ 5.4
The Limited	348,900	+19.3	+ 6.0	2,262,000	+18.2	+ 8.0
Carter Hawley Hale	174,500	+ 0.9	+ 0.4	1,214,300	+ 0.7	+ 0.3
Mercantile	150,191	+ 1.1	+ 0.4	1,019,927	+ 2.1	+ 1.7
Circuit City[2]	183,900	+15.0	− 1.0	N/R	N/R	N/R
Hills	157,300	+22.0	+18.9	910,100	+ 9.9	+ 6.6
The Gap	114,000	+35.7	+28.0	807,000	+25.9	+19.0
Rose's	94,227	− 4.4	− 4.7	705,390	+ 4.5	+ 2.3
Neiman-Marcus Group[3]	116,000	+10.0	+ 6.6	N/R	N/R	N/R
Edison Bros.[1]	87,400	+22.6	N/R	520,900	+16.2	N/R
Jamesway	50,248	− 2.0	− 6.0	403,720	+11.0	+ 6.0
Ross	60,000	+13.0	N/C	193,000	+10.0	N/C
Dollar General	48,500	+ 8.0	+ 3.8	284,100	+ 3.1	+ 1.5
Best Buy[4]	55,000	+25.0	+ 5.0	181,000	+21.0	N/R
Gottschalks	19,008	+31.3	+12.7	113,991	+24.7	+12.3
Claire's	17,620	+49.0	+ 7.0	108,690	+50.0	+14.0

[1] fiscal year ends Dec. 31
[2] fiscal year ends Feb. 28
[3] fiscal year ends July 31
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N/R = not reported
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Source: Company reports

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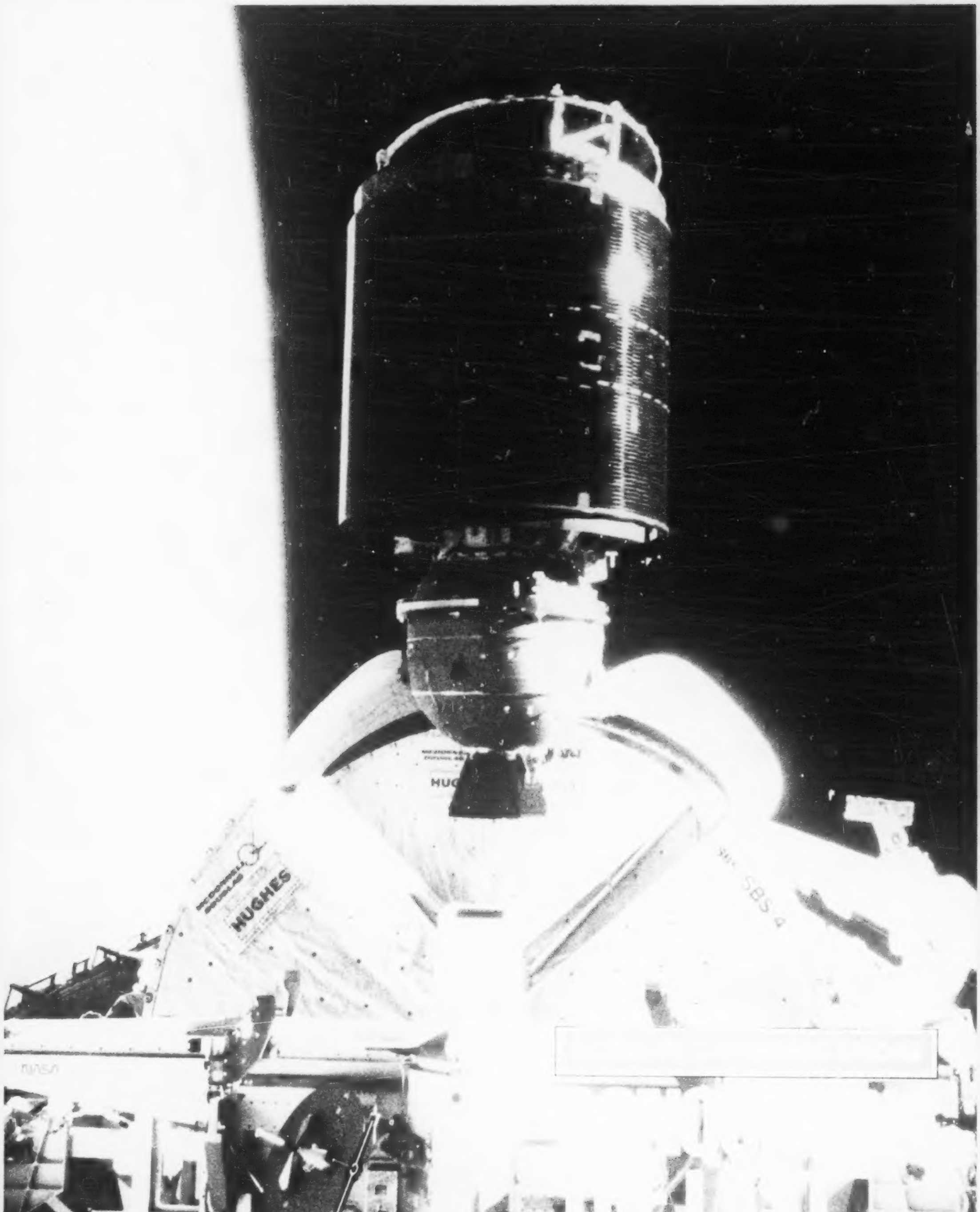
HUGHES
HUGHES
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NASA

LINKING UP WITH THE FACTS

VSAT PENETRATION IN THE RETAIL INDUSTRY

Retailer	Sites	Manufacturer
1985		
Wal-Mart	1,600	Hughes Network Systems
Southland	300	Hughes Network Systems
1986		
K mart	2,200	GTE Spacenet
1987		
Service Merchandise	350	Hughes Network Systems
Walgreens	1,670	Hughes Network Systems
Burlington Coat Factory	144	Contel ASC
Lowes	340	Contel ASC
1988		
Hartmarx	300	Hughes Network Systems
Supermarkets General/GTE	160	Hughes Network Systems
Home Depot	150	Scientific-Atlanta
Thrifty	810	Scientific-Atlanta
Farmland	250	AT&T/Tridom
Roses	50	AT&T/Tridom
Grossmans	*	AT&T/Tridom
Best	166	AT&T/Tridom
Child World	175	AT&T/Tridom
1989		
Ames	675	Hughes Network Systems
Target	430	Hughes Network Systems
Circuit City	170	Hughes Network Systems
Phar-Mor	220	Hughes Network Systems
American Drug/Osco	430	Hughes Network Systems
1990		
Herman Miller	310	Hughes Network Systems

*Cancelled

Source: *Chain Store Age Executive* research

To anyone old enough to remember "Echo" and "Telstar," the pioneering telecommunications satellites launched in the 1960s, the very thought of satellite communications still seems like science fiction.

Yet every time a customer charges a new television at Circuit City or fills a prescription at Walgreens or buys a bicycle at Child World, it's likely that some information about that purchase has been sent somewhere via a satellite network.

Increased reliance on telecommunications for all aspects of retail operations has created the need for the high network availability, low error rates and fast response time that satellite communication delivers.

Since 1985, when Wal-Mart and Southland were the first to install Ku-band VSAT satellite systems, more than 21 retail companies have linked over 11,000 locations via satellite.

VSAT systems (for Very Small Aperture Terminal), are communications networks that use Earth-orbiting satellites to transmit and receive data between a central point (usually a headquarters computing facility) and multiple locations (stores and warehouses, or even vendor sites).

The satellite system carries both synchronous and asynchronous data, along with voice and broadcast-quality video.

VSAT networks have a number of advantages over previous solutions:

☐ a small "dish" antenna that can be installed on a roof, even in crowded metropolitan areas,
☐ operation in the Ku-band frequencies, where there is still plenty of capacity,
☐ a blanket FCC license, which means that unlike earlier, C-band systems, each individual store site does not have to be licensed.

In retail companies, VSAT systems are frequently used for:
☐ POS polling,
☐ credit, debit and check authorization,
☐ insurance verification,
☐ Electronic Data Interchange,

Retailers Opt for Satellite Communications Networks

☐ broadcast video and audio.

A VSAT system may be operated either as a privately-owned network supporting a variety of applications for a single user (a dedicated hub), or as a shared communications system where many applications are provided as a service to multiple subscribers (a shared hub).

Whether a retail company chooses to operate its own hub or share one with other users is a decision usually dictated by the number of locations it wants to link. Typically, smaller companies use shared hubs; larger companies operate their own.

Hartmarx, the men's tailored clothing retailer and manufacturer, has come up with a unique solution. Hartmarx operates its own hub, but sells excess capacity to other, smaller companies.

Many retail companies have turned to VSAT systems because of difficulties in dealing with multiple vendors and telephone companies.

Wal-Mart, for example, used nearly 400 local telephone operating companies before installing its satellite system. Of those, about 25 were small, rural companies that did not even offer touch-tone service.

With VSAT, Wal-Mart now uses a single vendor for data communication within its far-flung retail empire. Further, the discount chain gets end-to-end control of the network.

Rapid installation is another of VSAT's benefits. Sites can be added to a network quickly, without the need to contract with the local telephone operating company.

Wal-Mart, once it had installed a satellite hub at its Bentonville, Ark., headquarters, was able to bring 1,150 stores—many in remote areas—on line within nine months.

In new Wal-Mart stores, the satellite communications system is often fully operational before the local telephone company has installed its lines.

VSAT networks also offer near unlimited expansion in capacity—and capacity can be added in increments that enable support for new applications at a small incremental cost. The number of ports per site can be changed easily.

A VSAT system can be reconfigured without difficulty to accommodate changes in a company's operating environment and traffic load, with minimal impact on operations.

Reconfiguration can be accomplished entirely from a central site, relieving companies from the disruption and delay encountered in terrestrial networks that require the physical rerouting of lines.

Satellite systems, unlike terrestrial systems, provide better control over long-term communications cost. Since 90% of a VSAT network's cost is fixed, it is highly predictable. Retail companies can more accurately estimate the impact of expansion.

Terrestrial leased lines, in contrast, are subject to the volatility of the deregulated telecommunications environment, making it difficult to budget and control operating costs.

For many retail companies, however, the biggest benefit of a VSAT network is its fast response time and the positive impact quicker response has on customer service.

When Walgreens went on line with its satellite network, it saw response times drop from 8 or 9 seconds for interactive applications on its terrestrial network to only 3-3.5 seconds on the VSAT network.

Other common uses for satellite systems include: in-store music and advertising broadcasts, video training, and company news and policy updates.

In-store advertising has become a popular function, since it can actually turn the VSAT system into a profit center. Some retailers are recording profits of $200-$900 per store from in-store advertising messages communicated via the satellite network.

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Chain Store Age EXECUTIVE

with Shopping Center Age

The newsmagazine for retail management

October 1990 ISSUED IN THREE SECTIONS SECOND CLASS

Double Convention Issue

RISCON, SCAN-TECH

SEARS WINS RETAIL INNOVATION TECHNOLOGY AWARD

"We're customizing assortments right down to the specific store."

Robert J. Ferkenhoff, vp-information services,

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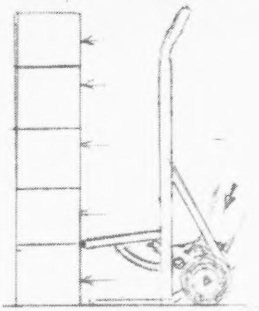

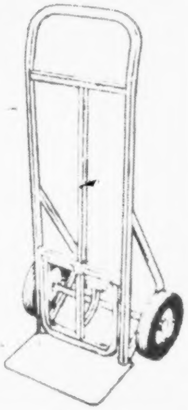

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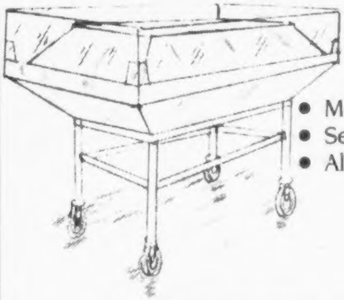

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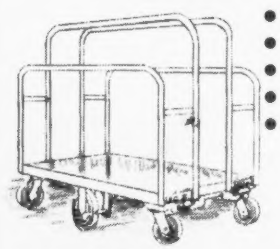

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SALES

	2nd qtr. (000 omitted)	% change	YTD (000 omitted)	% change
CATALOG STORE CHAINS				
J. C. Penney*	3,580,000	+ 4.1	7,110,000	+ 4.9
Sears, Roebuck & Co.	7,133,800	+ 1.6	13,232,700	+ 1.0
DEPARTMENT STORE CHAINS				
Dillard	774,564	+ 23.1	1,516,946	+ 23.6
Gottschalks	63,717	+ 28.2	118,809	+ 25.3
Jacobson's	88,285	+ 2.8	178,227	+ 3.5
May†	2,198,000	+ 8.8	4,379,000	+ 9.8
Mercantile*	515,345	+ 2.0	1,009,406	+ 2.6
Nordstrom	801,770	+ 10.0	1,356,808	+ 9.3
Strawbridge & Clothier*	215,679	+ 6.7	424,926	+ 8.2
DISCOUNT STORES				
Best Products[1]	407,859	+ 4.2	407,859	+ 4.2
Consolidated	159,063	+ 19.6	299,083	+ 13.0
Dayton Hudson*	3,242,000	+ 4.7	6,249,000	+ 5.5
Dollar General	153,012	+ 3.7	286,778	+ 3.3
Family Dollar[3]	217,457	+ 15.9	651,667	+ 17.4
Hills	457,976	+ 6.3	910,776	+ 9.9
Jamesway	216,603	+ 7.7	403,722	+ 11.2
K mart	7,877,300	+ 11.1	14,980,400	+ 13.3
Rose's	352,116	+ 1.4	705,427	+ 4.5
Service Merchandise	749,227	+ 4.5	1,374,674	+ 7.2
Venture	NR	NR	603,000	+ 6.7
Wal-Mart	7,604,906	+ 24.9	14,424,133	+ 25.5
SHOE/SPECIALTY CHAINS				
Brown Group†	435,713	+ 1.8	874,376	+ 1.1
Edison Bros.	273,000	+ 19.6	521,000	+ 17.6
Genesco*	117,122	– 2.0	227,091	+ 1.1
Melville	1,949,195	+ 16.4	3,567,034	+ 11.3
U.S. Shoe	671,442	+ 15.1	1,338,177	+ 16.1
Woolworth	2,191,000	+ 10.5	4,256,000	+ 10.3
APPAREL CHAINS				
Charming Shoppes	218,971	+ 8.9	410,730	+ 10.0
Deb Shops	48,085	+ 2.0	90,631	+ 2.2
Designs	25,107	+ 66.5	44,674	+ 64.0
Frederick's of Hollywood[3]	24,230	+ 20.6	74,506	+ 22.5
Gantos	61,118	+ 15.7	122,289	+ 17.7
The Gap	405,000	+ 24.2	807,000	+ 26.9
Paul Harris	55,230	+ 0.9	104,557	+ 2.8
The Limited	1,154,562	+ 16.6	2,261,907	+ 15.7
Merry-Go-Round	124,873	+ 38.3	245,840	+ 49.7
Petrie	313,010	+ 6.6	614,469	+ 7.3
Wet Seal	27,721	+ 53.5	48,509	+ 53.1
OFF-PRICE APPAREL				
Clothestime	56,975	+ 9.5	103,804	+ 11.3
One Price Clothing	34,092	+ 39.6	55,853	+ 42.7
Ross*	193,177	+ 10.0	364,253	+ 10.1
S&K	15,205	+ 14.5	30,240	+ 17.6
Syms	80,974	+ 4.6	146,304	+ 6.1
TJX†*	572,480	+ 14.4	1,086,237	+ 12.4
50-Off Stores*	15,223	+ 27.9	30,729	+ 24.6
WAREHOUSE WHOLESALE CLUBS				
Bizmart[1]	48,345	+ 145.6	48,345	+ 145.6
Costco[3]*	947,946	+ 44.0	2,760,368	+ 42.7
HQ Office Supp. Warehouse	17,531	+ 198.7	40,519	+ 431.8
Office Club	63,686	+ 105.2	127,663	+ 114.9
Office Depot*	136,769	+ 114.3	279,396	+ 119.4
Price[4]	1,202,518	+ 8.5	4,182,411	+ 10.9
Waban	622,959	+ 18.3	1,169,083	+ 18.6
Warehouse Club[3]	66,311	– 2.5	200,179	– 2.3
Wholesale Club	177,000	+ 31.1	329,570	+ 36.2

EARNINGS

	2nd qtr. (000 omitted)	% change	YTD (000 omitted)	% change
CATALOG STORE CHAINS				
J. C. Penney*	83,000	– 15.3	237,000	– 3.7
Sears	25,100	– 72.8	(109,100)	NA
DEPARTMENT STORES				
Dillard	28,722	+ 53.2	58,122	+ 51.6
Gottschalks	79	NA	335	NA
Jacobson's	(2,856)	NA	(1,725)	NA
May†	78,200	+ 10.1	157,900	+ 17.3
Mercantile*	15,271	– 7.7	41,072	– 5.7
Nordstrom	35,924	– 6.8	49,093	– 20.2
Strawbridge & Clothier*	(475)	NA	589	– 89.2
DISCOUNT STORES				
Best Products[1]	(26,275)	NA	(26,275)	NA
Consolidated	804	+ 3,250.0	(2,917)	NA
Dayton Hudson*	59,000	+ 5.4	117,000	+ 21.9
Dollar General	2,548	– 7.6	2,938	+ 25.8
Family Dollar[3]	7,782	+ 65.0	23,044	+ 28.7
Hills	(15,174)	NA	(32,126)	NA
Jamesway	(871)	NA	(1,868)	NA
K mart	148,000	+ 2.0	248,100	+ 3.7
Rose's	481	NA	2,554	NA
Service Merchandise	1,200	– 91.3	(14,307)	NA
Venture	NR	NR	4,100	+ 30.0
Wal-Mart	272,931	+ 24.6	526,374	+ 26.1
SHOE/SPECIALTY STORES				
Brown Group†	5,209	+ 52.3	13,951	+ 30.0
Edison Bros.	10,800	+ 25.6	18,300	+ 26.2
Genesco*	965	– 82.9	(548)	NA
Melville	78,250	+ 27.0	86,061	+ 0.2
U.S. Shoe	1,855	– 29.0	45,855	+ 62.8
Woolworth	50,000	+ 4.2	88,000	+ 4.8
APPAREL CHAINS				
Charming Shoppes	10,252	– 12.8	17,229	– 7.6
Deb Shops	3,723	– 25.6	4,373	– 25.6
Designs	(381)	NA	(1,402)	NA
Frederick's of Hollywood[3]	731	+ 20.4	3,176	+ 40.2
Gantos	(2,596)	NA	(3,381)	NA
The Gap	19,200	+ 36.2	40,300	+ 38.0
Paul Harris	(203)	NA	(575)	NA
The Limited	79,025	+ 23.9	141,340	+ 29.7
Merry-Go-Round	5,475	+ 253.5	12,089	+ 275.9
Petrie	1,757	– 50.0	9,188	– 12.9
Wet Seal	2,271	+ 91.0	3,391	+ 85.8
OFF-PRICE APPAREL				
Clothestime	1,464	– 37.1	100	– 95.8
One Price Clothing	2,896	+ 59.0	2,759	+ 38.3
Ross*	(1,934)	NA	(2,479)	NA
S&K	471	+ 5.1	959	+ 14.7
Syms	3,991	– 5.7	5,770	– 12.9
TJX†*	14,431	+ 38.8	29,003	+ 21.4
50-Off Stores	174	+ 145.1	747	+ 49.1
WAREHOUSE WHOLESALE CLUBS				
Bizmart[1]	(1,115)	NA	(1,115)	NA
Costco[3]	9,136	+ 134.9	27,280	+ 81.4
HQ Office Supp. Warehouse	(3,953)	NA	(5,149)	NA
Office Club	432	NA	1,141	NA
Office Depot*	1,578	+ 38.4	4,482	+ 67.0
Price[4]	23,285	+ 9.8	93,493	+ 9.2
Waban	6,825	– 22.4	8,240	– 46.2
Warehouse Club[3]	(56)	NA	(721)	NA
Wholesale Club	558	– 32.5	1,345	+ 29.1

NA = not applicable because of loss in either current or comparable period
NC = no change NR = not reported
*before extraordinary items or changes in accounting principles
†continuing operations only
[1] first quarter figures
[2] second quarter figures
[3] third quarter figures
[4] fourth quarter figures
Source: Company reports

SALES

	2nd qtr. (000 omitted)	% change	YTD (000 omitted)	% change
HARD LINES CHAINS				
Best Buy[1]	126,077	+ 20.3	126,077	+ 20.3
Blockbuster Ent.	148,977	+ 67.9	288,127	+ 73.9
Circuit City[1]	493,400	+ 20.9	493,400	+ 20.9
Claire's	55,210	+ 45.3	108,730	+ 50.3
Computer Factory[3]*	83,895	+ 2.3	297,688	+ 6.7
Fabri-Centers	75,857	+ 12.7	155,995	+ 10.3
Good Guys[3]	65,390	+ 56.0	215,234	+ 50.6
House of Fabrics	87,358	+ 7.4	173,777	+ 8.1
Lechters[4]	36,616	+ 19.1	69,783	+ 20.7
Lionel	69,747	+ 3.3	135,616	+ 5.3
Michaels	71,506	+ 24.4	143,179	+ 25.9
Musicland	168,166	+ 29.8	318,088	+ 23.7
Pep Boys	234,270	+ 17.3	447,304	+ 18.3
Pier I Imports[1]	138,430	+ 21.5	138,430	+ 21.5
Tandy[4]	1,043,491	+ 16.3	4,499,604	+ 7.6
Tiffany & Co.	107,274	+ 24.9	200,501	+ 26.0
Toys "R" Us	964,034	+ 24.3	1,908,836	+ 23.7
Trans World Music	72,889	+ 17.2	143,755	+ 12.7
Williams-Sonoma	57,319	+ 30.6	114,004	+ 29.2
SUPERMARKETS				
Albertsons	2,073,849	+ 13.6	4,083,716	+ 12.2
A&P[1]	3,402,690	– 1.1	3,402,690	– 1.1
American	5,581,038	+ 3.8	11,003,536	+ 3.9
Bruno's[4]*	579,805	+ 12.4	2,394,788	+ 12.2
Delchamps[4]	246,701	+ 7.9	948,257	+ 5.4
Eagle Food Centers*	282,527	+ 0.9	564,081	+ 2.0
Food Lion	1,274,167	+ 19.1	2,475,452	+ 19.0
Giant Food	763,999	+ 4.3	1,533,263	+ 5.2
Hannaford Bros.*	418,353	+ 12.1	812,271	+ 12.6
Kroger*	4,742,387	+ 7.2	9,301,146	+ 4.3
Marsh[1]	250,711	+ 13.5	250,711	+ 13.5
Quality Food	77,489	+ 1.2	150,661	+ 11.1
Ralphs Grocery*	622,700	+ 5.9	1,243,600	+ 7.1
Safeway	3,435,100	+ 5.0	6,771,100	+ 4.2
Smith's Food & Drug	501,191	+ 18.8	988,936	+ 20.4
Vons*	1,221,800	+ 2.1	2,433,500	+ 2.3
Weis Markets	318,396	+ 3.1	632,367	+ 3.6
Winn-Dixie[4]	2,300,000	+ 4.5	9,700,000	+ 6.5
CONVENIENCE STORES				
Circle K[4]	907,893	– 2.6	3,736,552	+ 6.9
Dairy Mart*	211,575	+ 7.4	398,313	+ 8.3
National Convenience[4]*	275,666	– 4.0	1,062,183	– 1.4
Southland	2,154,409	– 0.3	4,092,454	+ 0.7
Uni-Marts[3]	61,836	+ 6.7	176,760	+ 13.3
DRUG STORES				
Big B	101,241	+ 13.1	224,139	+ 14.8
Block Drug[1]	118,894	+ 13.0	118,894	+ 13.0
Drug Emporium[1]	141,101	+ 23.8	141,101	+ 23.8
Fay's*	162,344	+ 16.1	315,538	+ 16.5
Genovese*	96,866	+ 6.3	225,444	+ 10.3
Longs	558,687	+ 11.1	1,096,113	+ 10.0
Perry[3]*	159,312	– 2.8	496,823	– 2.1
Revco[4]	558,061	– 36.6	2,489,985	– 7.8
Rite Aid[1]*	830,541	+ 10.1	830,541	+ 10.1
Walgreen[3]	1,521,757	+ 12.7	4,555,163	+ 12.8
HOME CENTERS				
Grossman's	242,832	– 29.4	399,767	– 29.0
Home Depot	990,346	+ 40.7	1,871,202	+ 39.1
Lowe's	818,052	+ 9.6	1,538,960	+ 14.1
Wolohan Lumber	88,268	+ 10.5	141,356	+ 9.7
NON-STORE RETAILERS				
Lands' End	117,088	+ 12.3	229,279	+ 8.0
Lillian Vernon[1]	30,003	+ 1.8	30,003	+ 1.8
Sharper Image	41,163	– 6.6	75,822	+ 4.3
Spiegel	403,737	+ 23.3	793,601	+ 21.6
QVC Network*	158,824	+ 189.2	320,096	+ 198.0

EARNINGS

	2nd qtr. (000 omitted)	% change	YTD (000 omitted)	% change
HARD LINES CHAINS				
Best Buy[1]	(1,222)	NA	(1,222)	NA
Blockbuster Ent.	14,840	+ 84.3	28,289	+ 83.2
Circuit City[1]	12,076	+ 12.5	12,076	+ 12.5
Claire's	3,415	+ 42.7	6,620	+ 54.0
Computer Factory[3]*	(4,333)	NA	(6,428)	NA
Fabri-Centers	(1,158)	NA	(530)	NA
Good Guys[3]	1,289	+ 314.5	6,032	+ 96.9
House of Fabrics	703	NA	2,857	+ 134.1
Lechters[4]	394	+ 93.1	687	+ 93.0
Lionel	(4,703)	NA	(10,685)	NA
Michaels	17	– 92.0	461	– 25.6
Musicland	(1,785)	NA	(3,794)	NA
Pep Boys	13,127	+ 31.0	22,567	+ 27.9
Pier I Imports[1]	7,736	+ 15.1	7,736	+ 15.1
Tandy[4]	56,926	+ 0.1	290,347	– 10.3
Tiffany & Co.	7,098	+ 27.0	12,542	+ 27.7
Toys "R" Us	26,494	+ 12.8	59,722	+ 18.0
Trans World Music	1,601	+ 62.9	4,050	+ 205.0
Williams-Sonoma	526	+ 307.8	974	+ 97.6
SUPERMARKETS				
Albertsons	52,866	+ 15.9	104,074	+ 15.6
A&P[1]	51,007	+ 12.4	51,007	+ 12.4
American	37,520	+ 52.3	65,447	+ 41.8
Bruno's[4]*	15,644	+ 32.2	60,138	+ 25.8
Delchamps[4]	5,170	– 8.6	14,385	+ 18.5
Eagle Food Centers*	1,642	– 33.7	4,358	– 14.0
Food Lion	40,836	+ 27.7	77,965	+ 28.5
Giant Food	25,798	+ 16.3	54,265	+ 11.4
Hannaford Bros.*	12,177	+ 13.7	22,002	+ 14.1
Kroger*	25,258	+ 1,786.3	14,993	NA
Marsh[1]	3,376	+ 27.4	3,376	+ 27.4
Quality Food	3,586	+ 8.4	6,713	+ 27.0
Ralphs Grocery*	(5,200)	NA	(7,900)	NA
Safeway	23,600	+ 206.5	38,600	+ 135.4
Smith's Food & Drug	8,354	+ 40.3	16,673	+ 43.3
Vons	10,400	NA	18,600	NA
Weis Markets	21,187	+ 2.6	40,167	– 2.2
Winn-Dixie[4]	43,700	+ 3.3	152,500	+ 13.4
CONVENIENCE STORES				
Circle K[4]	(747,351)	NA	(772,869)	NA
Dairy Mart*	1,874	+ 15.4	2,108	+ 90.3
National Convenience[4]*	(2,159)	NA	(1,624)	NA
Southland	(58,052)	NA	(179,533)	NA
Uni-Marts[3]	447	+ 44.7	1,789	+ 3.5
DRUG STORES				
Big B	(3,340)	NA	(2,943)	NA
Block Drug[1]	12,660	+ 12.4	12,660	+ 12.4
Drug Emporium[1]	1,832	+ 4.2	1,832	+ 4.2
Fay's*	3,253	+ 7.8	4,729	+ 8.1
Genovese*	795	+ 100.3	1,611	+ 6.3
Longs	15,660	+ 2.7	30,461	+ 2.6
Perry[3]*	724	NA	4,361	NA
Revco[4]	(15,098)	NA	(232,654)	NA
Rite Aid[1]*	25,206	+ 8.0	25,206	+ 8.0
Walgreen[3]	43,579	+ 13.2	134,176	+ 11.3
HOME CENTERS				
Grossman's	4,189	– 60.7	(1,174)	NA
Home Depot	47,239	+ 53.4	85,856	+ 51.3
Lowe's	29,960	+ 0.1	51,942	+ 16.7
Wolohan Lumber	4,164	+ 2.7	5,106	+ 4.1
NON-STORE RETAILERS				
Lands' End	(2,201)	NA	(500)	NA
Lillian Vernon[1]	1,401	+ 8.6	1,401	+ 8.6
Sharper Image	(1,565)	NA	(2,977)	NA
Spiegel	7,662	+ 14.9	15,425	+ 18.6
QVC Network*	(10,970)	NA	(25,224)	NA

NA = not applicable because of loss in either current or comparable period
NC = no change NR = not reported
*before extraordinary items or changes in accounting principles
†continuing operations only
[1] first quarter figures
[2] second quarter figures
[3] third quarter figures
[4] fourth quarter figures
Source: Company reports

AUGUST LACKLUSTER FOR ALL BUT APPAREL

CONSUMER CAUTION CREATES MODEST SAME-STORE FIGURES

Led by consumer demand for women's apparel, some department and specialty store chains reported strong sales increases in August. However, consumer caution produced lackluster performances for many other of the nation's top retailers, who tended to report modest single-digit increases for their same-store results.

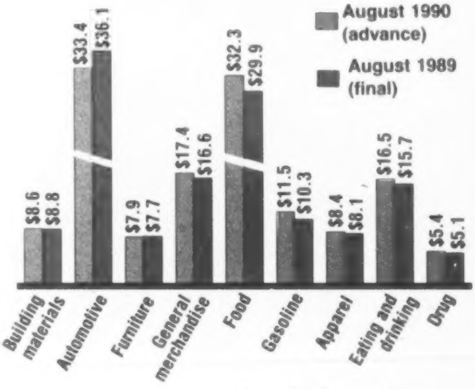
Many analysts believe concerns about the Iraqi crisis have increased consumer nervousness about spending. This, they say, may foreshadow a weak autumn and Christmas season.

Other analysts, however, think dampened consumer spending may have more to do with the faltering domestic economy—and fear of a recession—than with the problems in the Persian Gulf. "It's not just Iraq. There's some economic weakness outside that," says Alan Silverman, managing director of Ladenburg, Thalmann & Co., New York.

Among the best performers was Wal-Mart, whose total sales for August jumped 30% from last year. Sears experienced some improvement. Its same-store sales were up 4.1%. High on the disappointment list was J. C. Penney, where sales slid 1.2% from a record amount posted last year.

AUGUST SALES

(Seasonally adjusted, figures in billions)



Source U.S. Department of Commerce

CHAIN PERFORMANCE

Company	August '90 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,634,180	+ 4.7	+ 4.1	$18,728,547	+ 2.8	+ 2.9
K mart	2,332,515	+11.1	+ 1.6	17,162,332	+12.2	+ 2.6
Wal-Mart	2,741,000	+30.0	+13.0	17,053,000	+26.0	+11.0
Penney	1,289,000	− 1.2	− 2.4	8,473,000	+ 3.9	+ 2.6
Dayton Hudson	1,190,000	+19.9	+ 8.0	7,340,000	+13.8	+ 6.1
May	762,400	+13.7	+ 6.4	5,141,500	+10.1	+ 5.2
Melville[1]	674,188	+ 8.4	N/R	4,929,497	+10.8	N/R
Walgreen[1]	506,840	+11.0	+ 7.6	3,975,191	+12.3	+ 8.9
Woolworth	515,000	+ 7.3	+ 2.5	3,004,000	+ 8.4	+ 4.9
The Limited	408,300	+14.0	+ 1.0	2,670,000	+18.0	+ 7.0
Carter Hawley Hale	199,700	+ 1.1	+ 0.1	1,413,900	+ 0.8	+ 0.2
Mercantile	174,219	+ 1.9	− 1.2	1,194,146	+ 2.1	+ 1.3
Circuit City[2]	187,400	+16.0	N/C	555,100	+18.0	+ 2.0
Hills	173,300	− 4.5	− 8.1	1,086,400	+ 7.3	+ 3.9
The Gap	166,000	+24.0	+14.0	973,000	+26.0	+18.0
Rose's	142,129	+ 2.5	− 0.3	847,556	+ 4.2	+ 1.9
Neiman-Marcus Group[3]	124,100	+ 3.9	− 1.5	N/R	N/R	N/R
Edison Bros.[1]	111,700	+17.5	N/R	632,600	+16.5	N/R
Jamesway	75,929	+21.0	+15.0	479,649	+13.0	+ 7.0
Ross	60,000	+13.0	N/C	364,000	+ 8.0	− 3.0
Dollar General	68,700	+13.0	+ 9.4	346,500	+ 4.9	+ 0.4
Best Buy[4]	49,000	+32.0	+ 3.0	278,000	+25.0	N/R
Gottschalks	20,200	+25.5	+11.3	134,300	+24.9	+11.9
Claire's	20,420	+46.0	+10.0	129,190	+50.0	+13.0

[1] fiscal year ends Dec. 31
[2] fiscal year ends Feb. 28
[3] fiscal year ends July 31
[4] fiscal year ends Mar. 31
N/R = not reported
N/C = no change

Source: Company reports

Chain Store Age Executive (USPS 054-410; ISSN 0193-1199), is published monthly by Lebhar-Friedman Inc., 425 Park Ave., New York, NY 10022, on a controlled basis to qualified retailers, real estate and shopping center developers and operators, architects and design firms, and at $49.50 a year; outside U.S.A.: Canada $59.50 (U.S. $) a year; elsewhere $85 a year, air-mail only. Single copy price: $5. Second class postage paid at New York, NY, and additional mailing offices. Vol. 66, No. 10 Copyright © 1990 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Chain Store Age Executive, Subscription Department, Grand Central Station, P.O. Box 3113, New York, N.Y. 10164-0659.

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ERNST & YOUNG

Ninth Annual

Survey of Retail Information Technology Expenses and Trends

ACKNOWLEDGMENTS

The Ninth Annual Survey of Retail Information Technology Expenses and Trends was conducted jointly by Ernst & Young and Chain Store Age Executive. *GE Information Services is the exclusive advertising sponsor. The companies would like to thank the 157 retailers who took the time to fill out survey questionnaires. Without their cooperation, this study would not have been possible.*

ERNST & YOUNG

Ernst & Young is the preeminent worldwide professional services firm serving the retail industry. Nationwide, Ernst & Young serves more than 1,000 retail companies in various segments of retailing. The company assists retailers with their information technology needs in areas such as:

- Inventory Management Systems
- Quick Response Systems
- Point-of-Sale and In-Store Systems
- UPC, SCM and EDI
- Integrated Customer Information Systems
- Distribution Center Systems
- Compensation Systems

Ernst & Young's technology capabilities in these areas include strategic information systems planning and information systems design, development, implementation and integration.

For further information on this study or any of Ernst & Young's professional services, please contact Stephanie M. Shern, National Director of Retail Services, Ernst & Young, 277 Park Ave., New York, N.Y. 10172, (212) 773-3120.

GE Information Services

For more than 25 years, GE Information Services has been providing business information systems worldwide with affiliates and distributors in 35 countries.

Using one of the world's largest teleprocessing networks, GEIS is a recognized leader in Electronic Data Interchange, business communications messaging, and network management services for the development of applications expressly for the retail industry. Working with manufacturers, suppliers and retailers, GEIS provides a comprehensive portfolio of products and services including Messaging Systems, Payments Systems, Transportation Systems, Order Entry/Purchasing Systems, UPC*Express Catalog; EDI Services, Business Partner Implementation Programs, and EDI Translation Software.

To support these systems globally, GE Information Services offers its more than 7,000 clients (2,000 in the retail industry) comprehensive training and implementation assistance for prompt, effective start-up, as well as 24-hour worldwide support for quick problem resolution.

Chain Store Age EXECUTIVE

Chain Store Age Executive is the leading publication serving retail headquarters management. A monthly newsmagazine, *Chain Store Age Executive* reports and analyzes trends and strategies in the following areas:

- EDP/MIS/POS
- Communications
- Security
- Operations
- Finance
- Credit
- Marketing
- Corporate Strategies
- Store Design/Visual Merchandising
- Store Construction
- Physical Supports
- Human Resources
- Logistics/Distribution
- Leasing
- Shopping Center Development

Chain Store Age Executive, the original publication of Lebhar-Friedman Inc., of New York City, has been published since 1925. Its readers include chain headquarters decision makers from department stores, discount stores, specialty stores, supermarkets, convenience stores, variety stores, general merchandise stores, drug stores, home centers and hardware chains and non-store retailers as well as shopping center owners and developers.

Survey of Retail Information Technology Expenses and Trends

METHODOLOGY

Retailer spending on Management Information Systems is at an all-time high, and the use of technologies like scanning and Electronic Data Interchange are becoming the rule for companies rather than the exception.

These and other findings are detailed within this supplement—which offers a complete report on the Ninth Annual Survey of Retail Information Technology Expenses and Trends conducted by Ernst & Young, the professional services firm.

The co-conductor of this survey is *Chain Store Age Executive*, which had been conducting an MIS poll of its own for the last two years. Last January, the magazine and Ernst & Young began talks about pursuing a survey cooperatively. By March, a jointly-produced survey form was printed and mailed to MIS executives across the country.

Responses were received from 157 companies, more than double the response rate that either survey had achieved the previous year. The size of the response rate has made it possible to examine data not only by size of company and by class of trade—but also by size of company *within* each class of trade where at least 16 responses were received.

This report begins with a section on overall findings and continues with separate sections concerning six specific classes of trade. Each of these sections are three pages in length. For easy cross-referencing, the sections cover subjects in the same order, both in the text and in chart material.

A six-page appendix containing additional chart material appears at the end of the report.

[illegible]

	1989		1988	
	Not allocated	Allocated to other expense centers	Not allocated	Allocated to other expense centers
Department stores	1.06	.25	1.09	.25
General merchandise/ mass merchants	.83	.59	.76	.60
Specialty apparel	.96	.24	.97	.24
Specialty hardlines	.80	.44	.74	.37
Specialty other	1.14	.26	.96	.24
Supermarkets	.39	.26	.38	.25
All participants	.85	.34	.80	.32

[illegible]

			NUMBER OF PARTICIPANTS BY 1989 SALES VOLUME IN $MILLIONS				
	Total 1989 sales (in $millions)	Average 1989 sales (in $millions)	All participants	Under $100	$100-$399	$400-$999	$1,000 or more
Total number of survey participants	$156,465	$ 997	157 100%	66 100%	45 100%	21 100%	25 100%
Department stores	20,643	1,290	16 10%	7 11%	6 13%	1 5%	2 8%
General merchandise/mass merchants	78,519	4,907	16 10%	2 3%	3 7%	4 19%	7 28%
Specialty apparel	6,808	309	22 14%	10 15%	7 16%	2 10%	3 12%
Specialty hardlines	8,936	248	36 24%	22 31%	10 22%	1 27%	3 8%
Specialty other	12,006	445	27 17%	9 14%	10 22%	6 27%	2 8%
Supermarkets	14,985	833	18 11%	9 14%	3 7%	2 10%	4 16%

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OVERALL FINDINGS

The 157 companies that responded to the Ernst & Young/*Chain Store Age Executive* Information Technology survey included department stores, general merchandise/mass merchants, specialty stores, supermarkets, drug stores, convenience stores and others. Several of these classes of trade (those that garnered 16 respondents or more) are examined in detail later in this report. What follows is a look at how retailers responded in the aggregate.

Expenses and Capital Expenditures: The respondents reported total MIS expenses of $807.9 million in 1989. On a same-respondent basis, their MIS expenses rose 9.36% over 1988. As a percent of sales, too, expenses increased—0.83% in 1989 against 0.80% in 1988, for a rise of 3.75% on a same-respondent basis.

Most retailers (57%) said that MIS expenses were 0.25% to 0.99% of their sales revenue. Thirteen percent said they were less than 0.25%, and 26% said they were 1%-2%. Four percent said MIS expenses represented more than 2% of their sales.

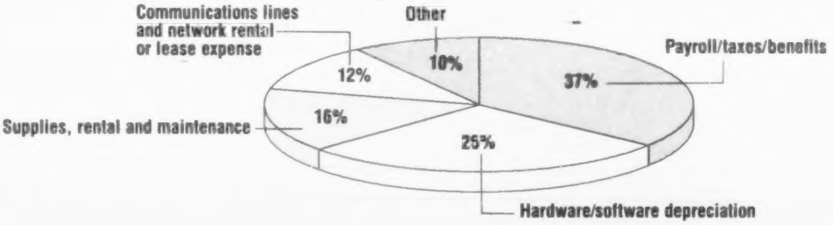
POS devices and controllers accounted for the bulk of capital expenditures (46%). Other costs were mainframe and peripherals (25%), backroom and administrative equipment (21%) and software (8%). Among the $1 billion-plus companies, spending on POS devices shot to 69% of the total, while spending on software was as low as 1%.

Companies spent 49% of their systems development payroll costs on new development in 1989, as opposed to on-going development. This figure was up 9.1% from 1988 on a same-respondent basis.

Organization: The average number of full-time employees in a retail MIS department was 57. However, 44% of respondents had MIS departments of 10 employees or fewer. The largest departments were in $1 billion-plus companies, which had an average of 264 MIS employees.

The average MIS department is split 27% management, 73% staff. Companies with sales of $1 billion or more are slightly top-heavier with management (31%). Within the department, 43% of personnel concentrate on systems development, 14% on tech-

BREAKDOWN OF 1989 MIS EXPENSES
(based on 97 responses)



	PARTICIPANTS BY 1989 SALES VOLUME IN $ MILLIONS									
	All participants		Under $100		$100-$399		$400-$999		$1,000-or more	
	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988
Total number of survey participants	157	157	66	66	45	45	21	21	25	25
Number of responses to this question	134 100%	129 100%	50 100%	49 100%	40 100%	38 100%	20 100%	18 100%	24 100%	24 100%
Total expenses (in $millions)	807.9	728.5	16.6	14.4	73.5	60.5	108.8	88.9	609.0	564.7
Average expenses (in $millions)	6.0	5.6	.3	.3	1.8	1.6	5.4	4.9	25.4	23.5
Expenses under $350,000	31 23%	34 26%	29 58%	30 61%	2 5%	4 11%	— —	— —	— —	— —
$350,000-under $1 million	31 23%	28 22%	20 40%	18 37%	11 28%	10 26%	— —	— —	— —	— —
$1 million-under $5 million	40 30%	38 30%	1 2%	1 2%	24 59%	23 60%	13 65%	11 61%	2 8%	3 13%
$5 million or more	32 24%	29 22%	— —	— —	3 8%	1 3%	7 35%	7 39%	22 92%	21 87%

OVERALL FINDINGS

nical support, 37% on computer operations and 6% on administration.

Profile of the Director: Most heads of MIS departments are known as either the vice president of MIS (34%) or the director of MIS (26%). Generally, the larger the company, the more likely the vp title.

MIS heads tend to report directly to a chief financial officer (44%) or to a chief executive officer (26%). They have been with the company an average of nine years, and have headed the MIS department an average of five years.

Most MIS heads are 41 to 49 years old (42%), especially in the $1 billion-plus companies (56%).

The average pay for a head of MIS before incentives was $66,306 in 1989. The average incentive compensation, including bonuses and options, was $21,823.

Use of Scanning: Sixty-six percent of retailers are now making some use of scanning technology. Among $1 billion-plus companies, this figure is as high as 96%, but even among companies with sales of less than $100 million, almost half are scanning (49%).

Forty-six percent of retailers say they are scanning at the point of sale, 29% mention scanning in the warehouse or distribution center, and 20% say they are doing non-POS scanning in the store.

Among companies that now scan, 46% say they intend to eventually be 100% scanned at the point of sale. Thirty percent say they intend to be 100% scanned in the warehouse or distribution center, and 26% intend to scan 100% in the store (non-POS).

UPC-A remains the most commonly-used type of bar code (58%). Code 128 and Interleaved 2 of 5 tie for a distant second (10% each).

The most popular type of scanner is the hand-held variety (64%), except in supermarkets, where the fixed-head stationary type has established a stronghold (100%). Only 9% of retailers indicated making use of wands.

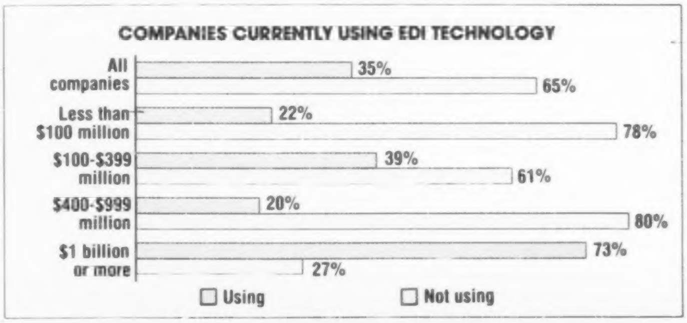
Respondents who scan at the point of sale have an average of 10 scanners per store. Twelve percent indicated having more than 20 scanners.

Among respondents who are not planning to scan, 56% said it was because scanning was inappropriate for their type of merchandise. Thirty-seven percent cited the high cost of scanning, 30% cited the insufficient quantity of vendor-marked goods.

Use of EDI: Thirty-five percent of companies are now using EDI. Among $1 billion-plus companies, this figure is as high as 73%.

When asked whether they planned to use EDI, 65% of companies said that they did. Among $1 billion-plus companies, this figure was as high as 100%.

Companies which now use EDI are exchanging data with an average of 4.49% of their apparel vendors. Among $1 billion-plus companies, the average is 12.78%. Exchanges of data with non-apparel vendors are higher—an average of 11.41% for re-



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	PARTICIPANTS BY 1989 SALES VOLUME IN $MILLIONS				
	All participants	Under $100	$100-$399	$400-$999	$1,000 or more
Total number of survey participants	157	66	45	21	25
Number of responses to this question	154 100%	65 100%	45 100%	20 100%	24 100%
Number of full-time equivalent MIS personnel:					
1 to 10	68 44%	57 88%	11 24%	— —	— —
11 to 25	34 22%	8 12%	22 49%	4 20%	— —
26 to 50	15 10%	— —	8 18%	6 30%	1 4%
51 to 100	14 9%	— —	4 9%	8 40%	2 8%
101 to 200	17 11%	— —	— —	2 10%	15 63%
Over 200	6 4%	— —	— —	— —	6 25%
Total full-time equivalent MIS personnel	8,853	364	1,011	1,152	6,326
Average number of full-time equivalent MIS personnel	57	6	22	58	264

OVERALL FINDINGS

tailers overall, and 16.31% for the $1 billion-plus companies.

Most retailers that use EDI said they were involved in programs with a total of 1-25 vendors (50%). Thirteen percent of EDI users, all with sales of $1 billion or more, indicated they were involved in EDI programs with 100 vendors or more.

Twenty-two percent of EDI users indicated that the vendors with which they were exchanging data totaled 50% or more of their purchase order dollar volume, while 49% of users said the vendors' total was 4% of that volume or less.

Respondents that use EDI said they are using it for the following transactions: Purchase orders (34%), purchase order acknowledgments (14%), vendor invoices (18%), vendor advance shipping notices (9%), sending point-of-sale data (26%) and payments (6%).

Most retailers using EDI cited shortening the reorder fulfillment cycle as a primary reason (39%). Other reasons cited were reducing inventory levels (24%) and improving the accuracy of data (21%).

Retailers indicated that the VICS/ANSI X.12 communication format has established itself as the leading EDI format in all classes of trade (64%). The exception is in supermarkets, where the Uniform Communication Standard (UCS) is favored (100%).

Most retailers are purchasing packaged EDI software (31%), or software provided by a third party network (43%). Relatively little (26%) is developed in-house.

POS/In-Store Systems: About 12% of retailers said they installed their present POS system more than 10 years ago. Sixteen percent said it is 6-10 years old, and 46% said theirs is 2-6 years old.

Programmable cash registers (46%) and electronic cash registers (36%) are the favored types of POS devices.

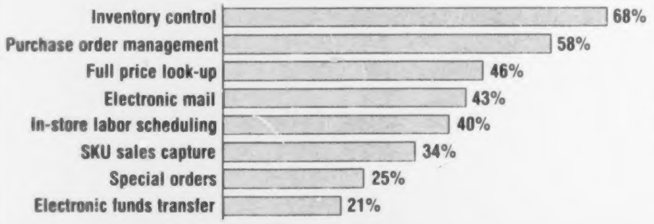
Asked about the likely operating system of their future in-store system, 35% of retailers said it would be DOS, 12% mentioned OS/2, and 22% said it would be proprietary.

Twenty-nine percent of retailers said they plan to migrate their in-store systems to a platform-independent, UNIX-based environment. More than three-quarters of these said they plan to do so by 1992. These plans were particularly prevalent among companies with sales of $1 billion or more (55%).

Fifty-two percent of retailers said they use hand-held terminals in-store, and cited the following applications: ordering (31%), physical inventory (27%), price verification (21%), store receiving (17%), price changes (8%) and sales recording (8%).

Emerging Technologies: Up and coming applications which retailers plan to implement in the years ahead include signature verification systems (3%), frequent buyer programs (39%), electronic shelf tags (12%), wireless POS devices (16%), interactive promotional video displays (11%), electronic aisle billboards (3%), self-service merchandise dispensing systems (1%), imaging systems (21%), interactive voice response systems (12%), expert systems (26%) and interactive home shopping services (6%).

APPLICATIONS INTENDED
FOR IMPROVEMENT WITHIN TWO YEARS



	PARTICIPANTS BY 1989 SALES VOLUME IN $MILLIONS				
	All participants	Under $100	$100-$399	$400-$999	$1,000 or more
Total number of survey participants	157	66	45	21	25
Number of responses to this question	129 100%	51 100%	35 100%	19 100%	24 100%
Currently scanning a bar code	85 66%	25 49%	23 66%	14 74%	23 96%
At the point of sale	59 46%	18 35%	15 43%	10 53%	16 67%
Into the warehouse/ distribution center	38 29%	7 14%	9 26%	6 32%	16 67%
In the store (non-POS)	26 20%	9 18%	7 20%	3 16%	7 29%
Other	12 9%	6 12%	3 9%	2 11%	1 4%
Not currently scanning	44 34%	26 51%	12 34%	5 26%	1 4%

DEPARTMENT STORES

Of the 16 department store retailers that responded to the Ernst & Young/*Chain Store Age Executive* IT survey, nine had 20 stores or less, and seven had 21 to 1,000 stores. Here's a look at what they reported:

Expenses and Capital Expenditures: The respondents reported total MIS expenses of $236.9 million in 1989, and roughly the same amount in 1988. As a percent of sales, expenses were off slightly on a same-respondent basis—1.06% in 1989 against 1.09% in 1988, a decline of 2.75%. Nonetheless, department stores can boast having the largest MIS expenses, as a percent of sales, of any class of trade.

Most of the respondents (57%) said that MIS expenses were 0.25% to 0.99% of their sales revenue. None said they were less than 0.25%, and none said they were more than 2%. However, a large number (43%) said MIS expenses were as much as 1%-2% of their sales.

POS devices and controllers accounted for the bulk of capital expenditures (69%) for department stores. No other class of trade devoted as great a share of its MIS capital spending to this category.

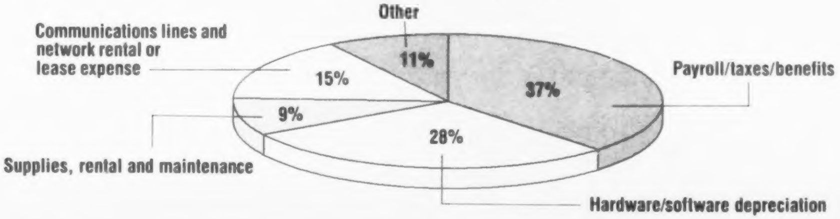
Department stores spent 37% of their systems development payroll costs on new development in 1989, as opposed to ongoing development. On a same-respondent basis, this figure was up 6.1% from 1988.

Organization: The average number of full-time employees in a department store MIS department was 153, the highest average of any class of trade. However, 50% of respondents had MIS departments of 10 employees or less. The largest departments were in the two $1 billion-plus companies, which had an average of 1,070 MIS employees each.

The average department store MIS department is split 59% management, 41% staff. Companies with sales of $1 billion or more are even more top-heavy with management (66%). Within the department, 35% of personnel concentrate on systems development, 16% on technical support, 45% on computer operations, and 4% on administration.

Profile of the Director: Most heads of MIS departments in department stores are known as either the vice president of MIS (30%) or the director of MIS (19%).

BREAKDOWN OF 1989 MIS EXPENSES
(based on 13 responses)



	Department stores 1989	Department stores 1988	Under $100 1989	Under $100 1988	$100-$399 1989	$100-$399 1988	$400-$999 1989	$400-$999 1988	$1,000-or more 1989	$1,000-or more 1988
	PARTICIPANTS BY 1989 SALES VOLUME IN $ MILLIONS									
Total number of survey participants	16	16	7	7	6	6	1	1	2	2
Number of responses to this question	14 100%	14 100%	7 100%	7 100%	4 100%	4 100%	1 100%	1 100%	2 100%	2 100%
Total expenses (in $millions)	236.9	237.1	2.7	2.5	11.3	10.8	10.3	10.5	212.6	213.3
Average expenses (in $millions)	16.9	16.9	.4	.4	2.8	2.7	10.3	10.5	106.3	106.7
Expenses under $350,000	4 29%	4 29%	4 57%	4 57%	— —	— —	— —	— —	— —	— —
$350,000-under $1 million	5 35%	4 29%	3 43%	3 43%	2 50%	1 25%	— —	— —	— —	— —
$1 million-under $5 million	1 7%	2 13%	— —	— —	1 25%	2 50%	— —	— —	— —	— —
$5 million or more	4 29%	4 29%	— —	— —	1 25%	1 25%	1 100%	1 100%	2 100%	2 100%

DEPARTMENT STORES

They tend to report directly to a chief financial officer (61%). They have been with the company an average of 15 years, and have headed the MIS department an average of eight years.

Most are 41 to 49 years old (56%). This is also true in the $1 billion-plus companies (50%).

The average pay for a department store head of MIS before incentives was $66,500 in 1989. The average incentive compensation, including bonuses and options, was $41,317, by far the largest incentive package of any class of trade. Forty percent of companies offer a salary of under $50,000, while 20% pay $90,000 or more.

Use of Scanning: Fifty percent of department store companies are now making some use of scanning technology. Among $1 billion plus companies, this figure is as high as 100%. On the other hand, among surveyed companies with sales of less than $100 million, none are scanning.

Twenty-nine percent of the respondents say they are scanning at the point of sale, 21% mention scanning in the warehouse or distribution center, and 7% say they are doing non-POS scanning in the store.

Among department store companies that now scan, 43% say they intend to eventually be 100% scanned at the point of sale. None, however, say they intend to be 100% scanned in the warehouse or distribution center, and only 25% intend to scan 100% in the store (non-POS).

UPC-A is the most commonly-used type of bar code in department stores (60%). Thirty percent of the companies, however, use Code 128, making department stores the heaviest users of that format.

-The most popular type of scanner in department stores is the hand-held variety (78%). Twenty-two percent of respondents mentioned using wands, by far the largest penetration of wands for any class of trade.

Departments stores which scan at the point of sale have an average of 19 scanners per store. Thirty-three percent indicated having more than 20 scanners.

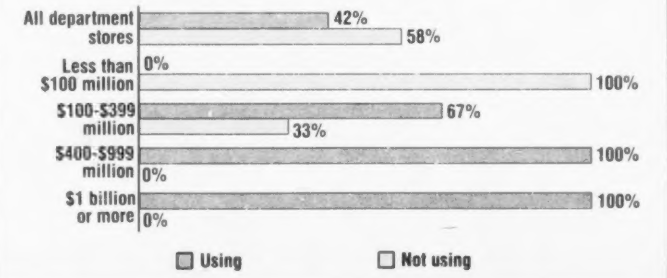
Among department stores which are not planning to scan, 83% percent cited the high cost of scanning. No other class of trade was as emphatic about this issue. Thirty-three percent cited the insufficient quantity of vendor-marked goods.

Use of EDI: Forty-two percent of department store companies are now using EDI. Among $1 billion-plus companies, all are using it. Among companies with sales below $100 million, none are.

When asked whether they planned to use EDI, 82% of companies said that they did. Among companies with sales below $100 million, 71% responded in the affirmative.

Department stores which now use EDI are exchanging data with an average of 7.17% of their apparel vendors. Exchanges of data with non-apparel vendors are much lower—an average of 0.17%.

COMPANIES CURRENTLY USING EDI TECHNOLOGY



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	PARTICIPANTS BY 1989 SALES VOLUME IN $MILLIONS				
	Department stores	Under $100	$100-$399	$400-$999	$1,000 or more
Total number of survey participants	16	7	6	1	2
Number of responses to this question	16 100%	7 100%	6 100%	1 100%	2 100%
Number of full-time equivalent MIS personnel:					
1 to 10	8 50%	7 100%	1 17%	— —	— —
11 to 25	2 13%	— —	2 33%	— —	— —
26 to 50	2 13%	— —	2 33%	— —	— —
51 to 100	2 13%	— —	1 17%	1 100%	— —
101 to 200	— —	— —	— —	— —	— —
Over 200	2 13%	— —	— —	— —	2 100%
Total full-time equivalent MIS personnel	2,453	35	189	90	2,139
Average number of full-time equivalent MIS personnel	153	5	32	90	1,070

DEPARTMENT STORES

Sixty percent of department stores which use EDI indicated they were involved in programs with 25 vendors or less. Forty percent said they were still in the pilot test phase.

Seventeen percent of EDI users indicated that the vendors with which they were exchanging data totaled 11%-49% of their purchase order dollar volume, while 83% said the vendors' total was 4% of that volume or less.

Respondents that use EDI said they are using it for the following transactions: purchase orders (38%), vendor invoices (13%), vendor advance shipping notices (25%) and sending point-of-sale data (38%).

Most department stores using EDI cited reducing inventory levels, or reducing expenses, as the primary reasons (40% each). Other reasons cited were improving the accuracy of data (20%) and gaining a competitive edge (20%). Shortening the reorder fulfillment cycle, the top reason cited by retailers overall, was not mentioned by any department store company.

Department stores indicated that the VICS/ANSI X.12 communication format has established itself as the leading EDI format (88%). Thirteen percent indicated they were using UCS and 13% said they were using TDCC.

Most of the respondents are purchasing packaged EDI software (43%) or software provided by a third party network (71%). No one said they had developed their software in-house.

POS/In-Store Systems: Department stores are using the oldest point-of-sale systems of any class of trade. Thirty-one percent of department store retailers said they installed their present POS system more than 10 years ago. Nineteen percent said their system is 6-10 years old, and 38% said it is 2-4 years old.

Programmable cash registers (67%) and electronic cash registers (33%) are the only types of POS devices that department store retailers mentioned using.

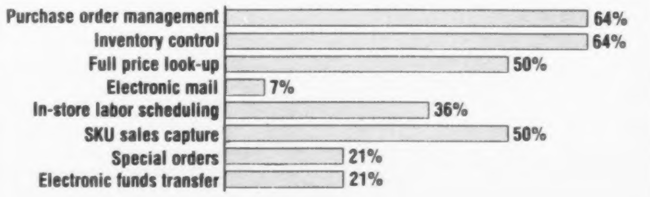
Asked about the likely operating system of their future in-store system, 30% of respondents said it would be DOS, 40% mentioned OS/2, and 20% said it would be proprietary.

Seventeen percent of department store retailers said they plan to migrate their in-store systems to a platform-independent, UNIX-based environment. Half of these plan to so by 1992. Overall, fewer department stores had plans for migration to UNIX than any other class of trade.

Twenty-five percent of department stores said they plan to have multiple POS/in-store systems vendors. Department stores had fewer such plans than any other class of trade.

Fifteen percent of department store retailers said they use hand-held terminals in-store, and cited physical inventory as the only application. No other class of trade reported making as little use of hand-helds in-store.

Emerging Technologies: Up and coming applications which department stores plan to implement in the years ahead include frequent buyer programs (25%), electronic shelf tags (10%), wireless POS devices (10%), interactive promotional video displays (10%), imaging systems (10%), interactive voice response systems (22%), expert systems (20%) and interactive home shopping services (7%).



APPLICATIONS INTENDED
FOR IMPROVEMENT WITHIN TWO YEARS

	PARTICIPANTS BY 1989 SALES VOLUME IN $MILLIONS				
	Department stores	Under $100	$100-$399	$400-$999	$1,000 or more
Total number of survey participants	16	7	6	1	2
Number of responses to this question	14 100%	5 100%	6 100%	1 100%	2 100%
Currently scanning a bar code	7 50%	— —	5 83%	— —	2 100%
At the point of sale	4 29%	— —	3 50%	— —	1 50%
Into the warehouse/ distribution center	3 21%	— —	2 33%	— —	1 50%
In the store (non-POS)	1 7%	— —	1 17%	— —	— —
Other	— —	— —	— —	— —	— —
Not currently scanning	7 50%	5 100%	1 17%	1 100%	— —

CASE STUDY 1: ROSE'S STORES

CHAIN FORGES AHEAD WITH EDI, SCANNING

Rose's Stores, Henderson, N.C., got started with EDI in 1989. Although the 257-store chain can by no means claim to be a pioneer of the technology, it certainly hasn't dawdled in the implementation.

Already, Rose's is on line with some 100 vendors (mainly apparel), and its goal is to add 300 more by the end of the year.

"So far, we're doing purchase orders and acknowledgments electronically," says Ed Anderson, Rose's chief financial officer. "We're not on a pure Quick Response program yet, but that's coming. We want to push EDI as far as we can. We believe it works."

Rose's, a discount store company with sales of $1.5 billion in 1989, is using the VICS ANSI X.12 EDI standards. GE Information Services is acting as Rose's major third party EDI network.

"We chose GE because they had the most to offer. A large number of our vendors were in their network already," Anderson says.

"GE's people are real professionals. They pushed the process for us. We learned a tremendous amount about EDI from them," he says.

Rose's is moving equally rapidly into scanning. The company, which had been doing OCR-A wanding, began installing slot scanners at its front-end checkstands and scanning guns at its area registers early this year.

Anderson says he expects Rose's will be scanning fully by the end of the first half of 1991.

The chain is UPC-ticketing its apparel with a Xerox 8700 printer at headquarters and with Monarch printers at store level. For imported items, Rose's hired a third party vendor, Soabar, to handle the UPC ticketing.

Technology leapfrog: Anderson concedes that Rose's may be slightly late in getting into scanning, "but by getting into it a little late, we've been able to do some leapfrogging.

"We now have the latest in scanning technology, and the latest equipment to run a UPC environment in-store. We were able to leapfrog because the cost of scanners has gone down precipitously.

"Five years ago, laser gun or slot scanners cost $3,000-$4,000 each, and now you can get one for about $1,000. Scanning is becoming the rule rather than the exception because of the price," he says.

Anderson further points out that before Rose's could make the move to scanning, it had to make a significant upgrade in its point-of-sale controllers.

"The older controllers weren't sophisticated enough to handle the number of sku's and price look-ups that we needed. We took out those controllers, and replaced them with PCs running on software from Post Software International."

At the same time, Anderson says, Rose's was able to keep its investment in its Fujitsu registers.

Anderson believes that one area in which Rose's has shown leading-edge sophistication is the area of telecommunications.

"We're using satellite technology at all of our locations. This has been a significant area of opportunity for us," he says. "It has fixed our data communications costs, improved reliability, and allowed for video transmissions."

Rose's has just built a $3 million, 27,500-sq.-ft. data center in Henderson to house its mainframe and all its telecommunications equipment.

"Telecommunications is something we've exploited well for a company our size," Anderson says.

GENERAL MERCHANDISE/MASS MERCHANTS

Of the 16 general merchandise/mass merchant companies that responded to the Ernst & Young/*Chain Store Age Executive* IT survey, two had 20 stores or less. Six had 21 to 100 stores, four had 101 to 500 stores, and three had 501 to 1,000 stores. Here's a look at what they reported:

Expenses and Capital Expenditures: The respondents reported total MIS expenses of $204.9 million in 1989. On a same-respondent basis, their MIS expenses rose 16.14% over 1988. As a percent of sales, too, expenses increased—0.79% in 1989 against 0.76% in 1988, for a rise of 3.95% on a same-respondent basis.

Most of the respondents (72%) said that MIS expenses were 0.25% to 0.99% of their sales revenue. Fourteen percent said they were less than 0.25%, and seven percent said they were 1%-2%. Another seven percent of the respondents said MIS expenses accounted for more than 2% of their sales.

POS devices and controllers accounted for the bulk of capital expenditures among the respondents (58%). Indeed, the share for POS was higher for general merchandise/mass merchants than for any other class of trade. Other costs were mainframe and peripherals (14%), backroom and administrative equipment (26%) and software (2%).

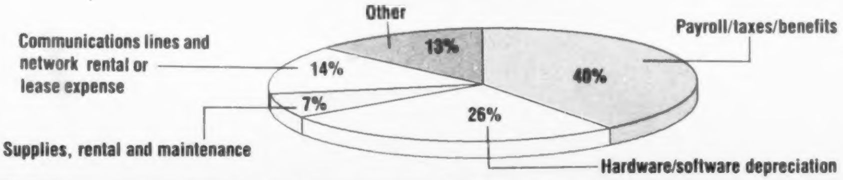
Companies spent 56% of their systems development payroll costs on new development in 1989, as opposed to on-going development. On a same-respondent basis, this figure was up 12.1% from 1988. In both years, the figure was highest among all classes of trade.

Organization: The average number of full-time employees in a general merchandise/mass merchant's MIS department was 144, second in size only to department stores. Twenty percent of respondents had MIS departments of 10 employees or less. The largest departments were in $1 billion-plus companies, which had an average of 314 MIS employees.

The average MIS department is split 10% management, 90% staff. This represents the smallest share for management of any class of trade. Within the department, 58% of personnel concentrate on systems development, 14% on technical support, 23% on computer operations and 5% on administration.

Profile of the Director: Most heads of MIS departments for general merchandise/mass mer-

BREAKDOWN OF 1989 MIS EXPENSES
(based on 6 responses)



	PARTICIPANTS BY 1989 SALES VOLUME IN $ MILLIONS									
	General merchandise/mass merchants		Under $100		$100-$399		$400-$999		$1,000-or more	
	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988
Total number of survey participants	16	16	2	2	3	3	4	4	7	7
Number of responses to this question	14 100%	14 100%	1 100%	1 100%	3 100%	3 100%	4 100%	4 100%	6 100%	6 100%
Total expenses (in $millions)	204.9	176.4	.03	.03	3.0	3.0	22.6	18.9	179.3	154.5
Average expenses (in $millions)	14.6	12.6	.03	.03	1.0	1.0	5.7	4.7	29.9	25.7
Expenses under $350,000	1 7%	2 14%	1 100%	1 100%	— —	1 33%	— —	— —	— —	— —
$350,000-under $1 million	2 14%	— —	— —	— —	2 67%	— —	— —	— —	— —	— —
$1 million-under $5 million	4 29%	6 43%	— —	— —	1 33%	2 67%	3 75%	3 75%	— —	1 17%
$5 million or more	7 50%	6 43%	— —	— —	— —	— —	1 25%	1 25%	6 100%	5 83%

GENERAL MERCHANDISE/MASS MERCHANTS

chants are known as vice president of MIS (44%). Twenty-five percent hold the title of senior vice president. Only 13% are known as director of MIS, a common title among MIS heads in other trade classes.

These MIS heads tend to report directly to a chief financial officer (37%) or to a chief executive officer or chief operating officer (25% each). They have been with the company an average of 10 years, and have headed the MIS department an average of three years.

Most are 41 to 49 years old (63%). Only 6% are younger than 35, and 25% are 50 or older.

The average pay for a general merchandise/mass merchant head of MIS before incentives was $70,375 in 1989, the highest among all classes of trade. The average incentive compensation, including bonuses and options, was $21,200. Thirty-eight percent of respondents had salaries above $70,000, while 25% were paid below $50,000.

Use of Scanning: All of the general merchandise/mass merchants that responded to the survey are now making some use of scanning technology. Such unanimity was found in no other class of trade. Only supermarkets (94%) came close.

Ninety-three percent of respondents say they are scanning at the point of sale, 57% mention scanning in the warehouse or distribution center, and 43% say they are doing non-POS scanning in the store.

Fifty percent say they intend to eventually be 100% scanned at the point of sale. Seventy-one percent say they intend to be 100% scanned in the warehouse or distribution center, and 27% intend to scan 100% in the store (non-POS).

UPC-A remains the most commonly-used type of bar code among general merchandise/mass merchants (87%). Interleaved 2 of 5 also has a strong following (27%) as does Code 128 (20%).

The most popular type of scanner among respondents is the hand-held variety (79%). Many also make substantial use of the fixed-head stationary type (57%).

General merchandise/mass merchants have an average of 17 scanners per store. Thirty-six percent indicated having more than 20 scanners.

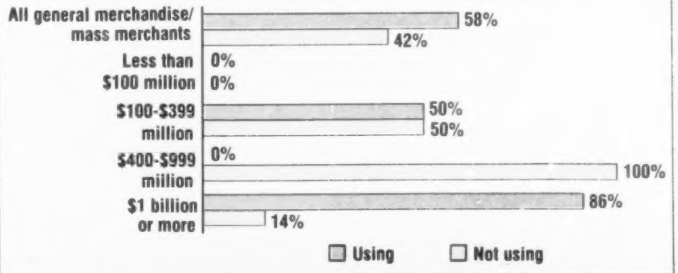
Use of EDI: Fifty-eight percent of general merchandise/mass merchants are now using EDI, the highest penetration of any class of trade. Among $1 billion-plus companies, this figure is as high as 86%, while among companies with sales below $399 million, it is no lower than 50%.

When asked whether they planned to use EDI, 89% of companies said that they did. Again, this represented the strongest level of support for EDI of any class of trade.

Respondents which now use EDI are exchanging data with an average of 18.5% of their apparel vendors. Exchanges of data with non-apparel vendors are slightly lower—an average of 16%.

Most that use EDI said they were involved in programs with a

COMPANIES CURRENTLY USING EDI TECHNOLOGY



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	PARTICIPANTS BY 1989 SALES VOLUME IN $MILLIONS				
	General merchandise/mass merchants	Under $100	$100-$399	$400-$999	$1,000 or more
Total number of survey participants	16	2	3	4	7
Number of responses to this question	15 100%	2 100%	3 100%	4 100%	6 100%
Number of full-time equivalent MIS personnel:					
1 to 10	3 20%	2 100%	1 33%	— —	— —
11 to 25	2 13%	— —	2 67%	— —	— —
26 to 50	2 13%	— —	— —	2 50%	— —
51 to 100	2 13%	— —	— —	2 50%	— —
101 to 200	3 20%	— —	— —	— —	3 50%
Over 200	3 20%	— —	— —	— —	3 50%
Total full-time equivalent MIS personnel	2,160	5	44	230	1,881
Average number of full-time equivalent MIS personnel	144	3	15	58	314

GENERAL MERCHANDISE/MASS MERCHANTS

total of more than 100 vendors (40%). Twenty percent indicated that they were only in a pilot test with EDI.

Forty-three percent of EDI users indicated that the vendors with which they were exchanging data totaled 50% or more of their purchase order dollar volume, while 43% of users said the vendors' total was 9% of that volume or less.

General merchandise/mass merchants that use EDI said they are using it for the following transactions: Purchase orders (46%), purchase order acknowledgments (23%), vendor invoices (31%), vendor advance shipping notices (8%), sending point-of-sale data (31%) and payments (8%).

Most cited shortening the reorder fulfillment cycle (36%) or reducing inventory levels (36%) as a primary reason for using EDI. Other reasons cited were improving the accuracy of data (27%), gaining a competitive edge (27%), and reducing expenses (9%).

The VICS/ANSI X.12 communication format has established itself as the dominant EDI format among general merchandise/mass merchants (91%). The Uniform Communication Standard (UCS), most common among supermarkets, also has a strong following in this class of trade (36%).

Most respondents are purchasing EDI software provided by a third party network (55%). A substantial number (36%) are developing software in-house, while 27% are buying packaged EDI software.

POS/In-Store Systems: Of all classes of trade, general merchandise/mass merchants have the newest point-of-sale systems. Only 13% said they installed their present POS system more than 10 years ago. Six percent said theirs is 4-6 years old, and 44% said it is 2-4 years old. Thirty-seven percent said they have had their point-of-sale system for two years or less.

Programmable cash registers (88%) are by far the favored type of POS device among general merchandise/mass merchants. A substantial level of use was also found for electronic cash registers (38%) and hand-held terminals (25%).

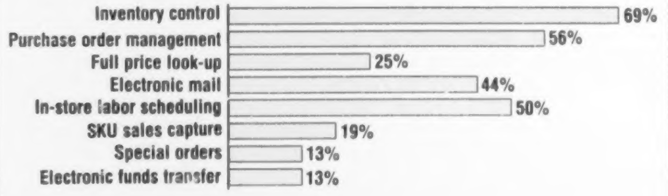
Asked about the likely operating system of their future in-store system, 40% of mass merchants said it would be DOS, 13% mentioned OS/2, and 7% said it would be proprietary.

Thirty-eight percent said they plan to migrate their in-store systems to a platform-independent, UNIX-based environment. Seventy-five percent of these said they plan to do so by 1992. Of all classes of trade, only supermarkets (47%) were more strongly committed to migrating to UNIX.

Eighty-seven percent said they use hand-held terminals in-store, and cited the following applications: ordering (50%), physical inventory (44%), price verification (50%), store receiving (31%), price changes (13%) and sales recording (6%).

Emerging Technologies: Up and coming applications which general merchandise/mass merchants plan to implement in the years ahead include frequent buyer programs (33%), electronic shelf tags (50%), wireless POS devices (45%), interactive promotional video displays (9%), imaging systems (45%), expert systems (58%) and interactive home shopping services (13%).

APPLICATIONS INTENDED FOR IMPROVEMENT WITHIN TWO YEARS



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	PARTICIPANTS BY 1989 SALES VOLUME IN $MILLIONS				
	General merchandise/mass merchants	Under $100	$100-$399	$400-$999	$1,000 or more
Total number of survey participants	16	2	3	4	7
Number of responses to this question	14 100%	2 100%	2 100%	4 100%	6 100%
Currently scanning a bar code	14 100%	2 100%	2 100%	4 100%	6 100%
At the point of sale	13 93%	2 100%	2 100%	4 100%	5 83%
Into the warehouse/distribution center	8 57%	1 50%	— —	2 50%	5 83%
In the store (non-POS)	6 43%	1 50%	1 50%	1 25%	3 50%
Other	2 14%	— —	1 50%	— —	1 17%
Not currently scanning	— —	— —	— —	— —	— —

SUPERMARKETS

Of the 18 supermarket companies that responded to the Ernst & Young/*Chain Store Age Executive* IT survey, nine had 20 stores or less. Five had 21 to 100 stores, and three had more than 100 stores. Here's a look at what they reported:

Expenses and Capital Expenditures: The respondents reported MIS expenses totaling $69.6 million in 1989. On a same-respondent basis, their MIS expenses rose 14.53% over 1988. As a percent of sales, too, expenses increased, albeit not as much—0.39% in 1989 against 0.38% in 1988, for a rise of 2.63% on a same-respondent basis. Because of their high volume, it is not surprising that supermarkets spend less on MIS as a percent of sales than any other class of trade.

The largest share of the respondents (50%) said MIS expenses were less than 0.25% of their sales revenue. Thirty percent said they were between 0.25% and 0.50%. Only 20% said they were more than 0.51%.

Backroom and administrative equipment accounted for the bulk of capital expenditures for supermarkets (45%). Other costs were mainframe and peripherals (40%), POS devices and controllers (2%) and software (13%). In each category, the shares posted were the highest of any class of trade. The exception was POS devices and controllers, where supermarkets posted the lowest share of all classes of trade.

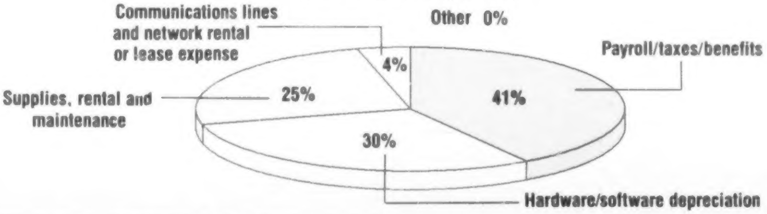
Supermarkets spent 50% of their systems development payroll costs on new development in 1989, as opposed to on-going development. On a same-respondent basis, this figure was up 38.2% from 1988.

Organization: The average number of full-time employees in a supermarket MIS department was 36. Of all classes of trade, only specialty stores posted a lower average. Fifty-nine percent of supermarkets had MIS departments of 10 employees or less. The largest departments were in $1 billion-plus companies, which had an average of 123 MIS employees.

The average supermarket MIS department is split 13% management, 87% staff. Companies with sales of less than $100 million are slightly top-heavier with management (25%). Within the department, 28% of personnel concentrate on systems development, 8% on technical support, 56% on computer operations and 8% on administration.

Profile of the Director: Most heads of supermarket MIS de-

BREAKDOWN OF 1989 MIS EXPENSES
(based on 7 responses)



ANALYSIS OF MIS OPERATING EXPENSES

	PARTICIPANTS BY 1989 SALES VOLUME IN $ MILLIONS									
	Supermarkets		Under $100		$100-$399		$400-$999		$1,000-or more	
	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988
Total number of survey participants	18	18	9	9	3	3	2	2	4	4
Number of responses to this question	10 100%	10 100%	2 100%	2 100%	2 100%	2 100%	2 100%	2 100%	4 100%	4 100%
Total expenses (in $millions)	69.6	60.8	.1	.1	.8	.5	4.7	3.4	64.0	56.8
Average expenses (in $millions)	7.0	6.1	.04	.05	.4	.3	2.4	1.7	16.0	14.2
Expenses under $350,000	3 30%	3 30%	2 100%	2 100%	1 50%	1 50%	— —	— —	— —	— —
$350,000-under $1 million	1 10%	1 10%	— —	— —	1 50%	1 50%	— —	— —	— —	— —
$1 million-under $5 million	3 30%	3 30%	— —	— —	— —	— —	2 100%	2 100%	1 25%	1 25%
$5 million or more	3 30%	3 30%	— —	— —	— —	— —	— —	— —	3 75%	3 75%

SUPERMARKETS

partments are known as either the vice president of MIS (22%) or the data processing manager (18%). Other common titles are director of MIS, director of information systems services, financial officer and computer operations manager (12% each).

Supermarket MIS heads tend to report directly to a chief financial officer (41%) or to a chief executive officer (29%). They have been with the company an average of nine years, and have headed the MIS department an average of six years.

Supermarket MIS heads are young compared to those in other classes of trade. A substantial number are 36 to 40 years old (34%).

The average pay for a supermarket head of MIS before incentives was $58,555 in 1989. This is the lowest average salary offered by any class of trade. Indeed, half of respondents said they had a salary of $50,000 or less. The average incentive compensation, including bonuses and options, was $23,275. This makes up for the low salary to some degree, but only specialty hardlines stores offer a lower total compensation package.

Use of Scanning: Almost all of supermarket retailers are now making some use of scanning technology. Of the 18 chains that responded to the survey, only one—a company with sales of less than $100 million—did not scan.

Ninety-four percent of supermarket retailers said they are scanning at the point of sale. Seventeen percent mentioned scanning in the warehouse or distribution center, and 50% say they are doing non-POS scanning in the store.

Among supermarkets that now scan, 47% say they intend to eventually be 100% scanned at the point of sale. Ten percent say they intend to be 100% scanned in the warehouse or distribution center, and 17% intend to scan 100% in the store (non-POS).

UPC-A is the sole type of bar code used by the supermarket industry.

By far the most popular type of scanner in supermarkets is the fixed-head, stationary type (100%). The strong preference for this type of scanner is unique among all classes of trade.

Supermarkets who scan at the point of sale have an average of 10 scanners per store. None indicated having more than 20 scanners.

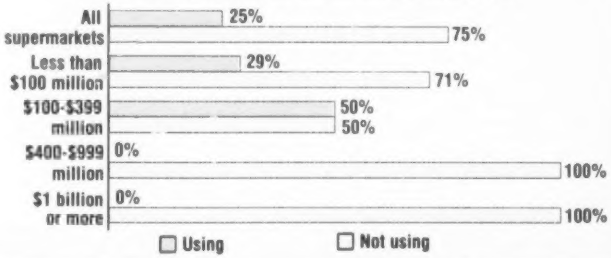
Use of EDI: Most supermarket companies (75%) are not making any use of EDI. The respondents who mentioned using EDI had sales of $399 million or less.

However, when asked whether they planned to use EDI, 71% of supermarket companies said that they did. Among $1 billion-plus companies, this figure was as high as 100%, while among companies with sales below $100 million, it was as low as 50%.

None of the supermarkets which now use EDI said that they were exchanging data with apparel vendors. On the average, however, they are exchanging data with 8.33% of their non-apparel vendors.

Most supermarkets which use

COMPANIES CURRENTLY USING EDI TECHNOLOGY



NUMBER OF FULL-TIME EQUIVALENT MIS PERSONNEL IN 1989

	PARTICIPANTS BY 1989 SALES VOLUME IN $MILLIONS				
	Supermarkets	Under $100	$100-$399	$400-$999	$1,000 or more
Total number of survey participants	18	9	3	2	4
Number of responses to this question	17 100%	8 100%	3 100%	2 100%	4 100%
Number of full-time equivalent MIS personnel:					
1 to 10	10 59%	8 100%	2 67%	— —	— —
11 to 25	2 12%	— —	1 33%	1 50%	— —
26 to 50	2 12%	— —	— —	1 50%	1 25%
51 to 100	— —	— —	— —	— —	— —
101 to 200	3 17%	— —	— —	— —	3 75%
Over 200	— —	— —	— —	— —	— —
Total full-time equivalent MIS personnel	607	41	28	48	490
Average number of full-time equivalent MIS personnel	36	5	9	24	123

SUPERMARKETS

EDI said they were involved in programs with a total of 1-25 vendors (40%) or were in pilot test (40%). Twenty percent said they were involved in programs with 26-99 vendors.

Twenty percent of supermarket EDI users indicated that the vendors with which they were exchanging data totaled 50% or more of their purchase order dollar volume, while 80% of users said the vendors' total was 49% of that volume or less.

Respondents that use EDI said they are using it for the following transactions: purchase orders (30%), purchase order acknowledgments (10%), vendor invoices (20%), vendor advance shipping notices (10%) and sending point-of-sale data (20%).

Most supermarket retailers using EDI cited shortening the reorder fulfillment cycle as a primary reason (60%). Other reasons cited were reducing inventory levels (20%), improving the accuracy of data (20%) and reducing expenses (40%).

Supermarkets were the only class of trade in which the VICS/ANSI X.12 communications format was not cited as the primary format for sending and receiving electronic transactions. All supermarket EDI users said they were using the Uniform Communication Standard (UCS) format.

Many supermarket retailers are purchasing EDI software provided by a third party network (33%). Many are custom-developing software, either in-house (33%) or externally (17%). In addition, 17% are buying packaged EDI software.

POS/In-Store Systems: Point-of-sale systems in supermarkets tend to be older than in other classes of trade. Thirty-nine percent of supermarket companies said they installed their present POS system 6-10 years ago. Seventeen percent said theirs is more than 10 years old, while only 11% said it is less than two years old.

Electronic cash registers (69%) and programmable cash registers (31%) are the favored types of POS devices in supermarkets. Indeed, the penetration of ECRs is higher in supermarkets than in any other class of trade.

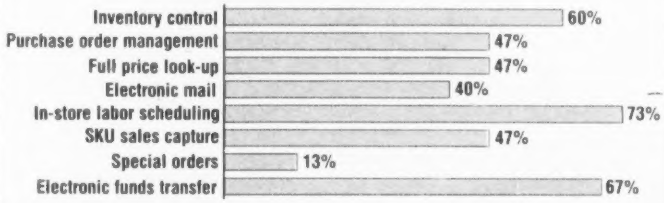
Asked about the likely operating system of their future in-store system, 25% of supermarkets said it would be DOS, 6% mentioned OS/2, and 19% said it would be proprietary.

Forty-seven percent of supermarkets said they plan to migrate their in-store systems to a platform-independent, UNIX-based environment. Sixty-seven percent of these said they plan to do so by 1992. These figures indicate that supermarkets have the strongest commitment toward migrating to UNIX of any class of trade.

Ninety-four percent of supermarket retailers said they use hand-held terminals in-store, and cited the following applications: ordering (94%), physical inventory (31%), price verification (69%), store receiving (50%), price changes (31%) and sales recording (19%).

Emerging Technologies: Up and coming applications which supermarkets plan to implement in the years ahead include signature verification systems (7%), frequent buyer programs (17%), wireless POS devices (15%), interactive promotional video displays (18%), electronic aisle billboards (8%), interactive voice response systems (7%), expert systems (25%) and interactive home shopping services (20%).

APPLICATIONS INTENDED FOR IMPROVEMENT WITHIN TWO YEARS



COMPANIES CURRENTLY SCANNING A BAR CODE

	PARTICIPANTS BY 1989 SALES VOLUME IN $MILLIONS				
	Supermarkets	Under $100	$100-$399	$400-$999	$1,000 or more
Total number of survey participants	18	9	3	2	4
Number of responses to this question	18 100%	9 100%	3 100%	2 100%	4 100%
Currently scanning a bar code	17 94%	8 89%	3 100%	2 100%	4 100%
At the point of sale	17 94%	8 89%	3 100%	2 100%	4 100%
Into the warehouse/ distribution center	3 17%	1 11%	— —	— —	2 50%
In the store (non-POS)	9 50%	5 56%	1 33%	— —	3 75%
Other	— —	— —	— —	— —	— —
Not currently scanning	1 6%	1 11%	— —	— —	— —

CASE STUDY 2: TOYS "R" US

PEOPLE COME BEFORE TECHNOLOGY

Toys "R" Us' reputation as a sophisticated retail user of scanning and electronic data interchange (EDI) is well-known. Much less well-known is the chain's recognition that technology can't accomplish everything—and can sometimes go too far.

Indeed, until a few years ago, Toys had a lot in common with the much-touted technology strategy of Mrs. Fields Cookies. "Through the use of technology, we were making all management decisions centrally," says Dennis Healey, Toys' vp-MIS. "We didn't want to have to worry about hiring store directors who needed to make merchandise decisions."

Sound as that philosophy may seem on paper, in practice it has a tendency to erode morale. "Our store directors were not motivated to care about their stores," Healey says. "Turnover was high. Customer service was not what it should have been."

Thus, Toys is now seeking to return more decision-making powers to store directors. A land line communications network that links headquarters with distribution centers and stores is providing store directors with the data they need to look after day-to-day operations.

"Our goal is to improve store communications even more," Healey says. "We want to be able to transmit images to our store people, not just data. We're vitally interested in emerging technologies which can translate images into digital code."

According to Healey, the $4.8 billion company spends between 0.5% and 1% of its sales volume on MIS. "It's a very conservative amount, compared to other industries, but it meets our needs. We're still basically merchants, and we think like merchants."

Third-party EDI network: Toys is heavily involved in EDI, and uses GE Information Services as its third party EDI network.

About 75% of Toys' invoices, as a percent of sales, are now sent electronically, Healey says. "A lot of the remaining 25% are small vendors who may be hard to get on board. The effort to get 75% was relatively easy—I think the growth will be much slower now."

Because Toys started with EDI about five years ago, before the VICS standards were implemented, it is employing UCS—the supermarket industry's standard—as its main EDI format.

"We support VICS, but we couldn't wait for it," Healey says. "Some of the large grocery vendors we deal with, like Procter & Gamble, were extremely helpful in getting us started with UCS." (P&G is a major supplier of diapers, a Toys "R" Us staple.)

Healey says he still thinks of EDI as an emerging technology. "No one uses it very well, and it hasn't changed business the way it should have. There's plenty of progress yet to be made."

Toys' MIS staff consists of 150 people, the majority of them operational or help desk-oriented.

Toys has always been a scanning company, Healey says. It dabbled 15 years ago with NCR codeabars and pen light scanners at a time when these technologies were considered very costly. "Later, we made a big mistake and went with OCR-A. It worked fine in the lab, but nowhere else. A few years ago, we recognized the mistake and rolled out UPC-A scanning in six months."

The chain is now fully scanned, he says, using laser guns from Symbol Technologies. "They make more sense for our business than fixed-head scanners because we can store them more easily. Most of them are needed only during the busy Christmas season."

Scanning in the warehouse is new to Toys. The company has a single fully-automated warehouse prototype, where scanning is implemented from conveyor systems, and with hand-held terminals as trucks are loaded.

In the U.S., Toys' custom POS and backroom system consists of NCR registers and a variety of CRTs from Unisys and Digital Electronics. All connect to Digital's VAX minicomputers.

"Digital gives us the ability to interface with all sorts of odds and ends of equipment that we've accumulated over the last 15 years," Healey says.

For its relatively newer foreign stores, where starting from scratch was an option, Toys' selected an alternative Healey considers more supportable at a country level: All IBM equipment, all operating on DOS.

"The exception is in the Orient, where IBM doesn't have a good presence. There we have NCR registers and VAXes again."

SPECIALTY: ALL

among companies with sales below $100 million, it was 39%.

Specialty store companies which now use EDI are exchanging data with an average of 3.22% of their apparel vendors. Exchanges of data with non-apparel vendors are higher—an average of 14.43% for retailers overall, and 19.29% for the $1 billion-plus companies.

Most specialty store retailers which use EDI said they were involved in programs with a total of 1-25 vendors (62%). Ten percent of EDI users, all with sales of $1 billion or more, indicated they were involved in EDI programs with 100 vendors or more.

Eight percent of EDI users indicated that the vendors with which they were exchanging data totaled 50% or more of their purchase order dollar volume, while 48% of users said the vendors' total was 4% of that volume or less.

Respondents that use EDI said they are using it for the following transactions: purchase orders (35%), purchase order acknowledgments (16%), vendor invoices (9%), vendor advance shipping notices (7%), sending point-of-sale data (33%) and payments (5%).

Most specialty store retailers using EDI cited shortening the reorder fulfillment cycle as a primary reason (36%). Other reasons cited were reducing inventory levels (27%) and improving the accuracy of data (18%).

Respondents indicated that the VICS/ANSI X.12 communication format has established itself as the leading EDI format in specialty stores (79%).

Most specialty store retailers said they are purchasing EDI software provided by a third party network (43%). A substantial number are using custom-developed or packaged EDI software (29% each).

POS/In-Store Systems: About 8% of specialty store retailers said they installed their present POS system more than 10 years ago. Fifteen percent said it is 6-10 years old, and 61% said theirs is 1-6 years old.

Programmable cash registers (44%) and electronic cash registers (25%) are the favored types of POS devices in specialty stores.

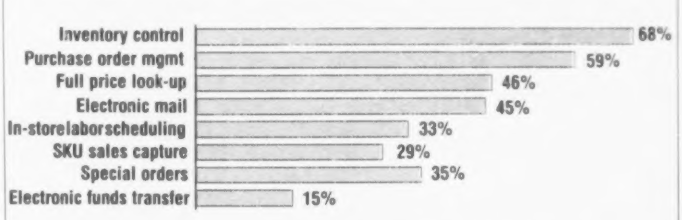
Asked about the likely operating system of their future in-store system, 39% of retailers said it would be DOS, 9% mentioned OS/2, and 23% said it would be proprietary.

Twenty-three percent of specialty store retailers said they plan to migrate their in-store systems to a platform-independent, UNIX-based environment. Eighty-one percent of these said they planned to do so by 1992.

Thirty-five percent of specialty store retailers said they use hand-held terminals in-store, and cited the following applications: ordering (11%), physical inventory (23%), price verification (3%), store receiving (11%), price changes (3%) and sales recording (6%).

Emerging Technologies: Up and coming applications which specialty store retailers plan to implement in the years ahead include signature verification systems (2%), frequent buyer programs (47%), electronic shelf tags (5%), wireless POS devices (16%), interactive promotional video displays (9%), electronic aisle billboards (2%), self-service merchandise dispensing systems (2%), imaging systems (21%), interactive voice response systems (13%) and expert systems (22%).

APPLICATIONS INTENDED FOR IMPROVEMENT WITHIN TWO YEARS



COMPANIES CURRENTLY SCANNING A BAR CODE

	PARTICIPANTS BY 1989 SALES VOLUME IN $MILLIONS				
	All specialty stores	Under $100	$100-$399	$400-$999	$1,000 or more
Total number of survey participants	85	41	27	9	8
Number of responses to this question	66 100%	32 100%	19 100%	7 100%	8 100%
Currently scanning a bar code	35 53%	14 44%	10 53%	4 57%	7 88%
At the point of sale	18 27%	7 22%	5 26%	2 29%	4 50%
Into the warehouse/distribution center	19 29%	5 16%	7 37%	1 14%	6 75%
In the store (non-POS)	5 8%	2 6%	2 11%	1 14%	— —
Other	8 12%	6 19%	1 5%	1 14%	— —
Not currently scanning	31 47%	18 56%	9 47%	3 43%	1 12%

SPECIALTY: APPAREL

Of the 85 specialty store companies that responded to the Ernst & Young/ *Chain Store Age Executive* IT survey, 22 were specialty apparel stores. Of these, four had 20 stores or less. Eight had 21 to 100 stores, six had 101 to 1,000 stores, and two had more than 1,000 stores. Here's a look at what they reported:

Expenses and Capital Expenditures: The respondents reported MIS expenses totaling $65.3 million in 1989. On a same-respondent basis, their MIS expenses rose 11.75% over 1988. As a percent of sales, however, expenses were off slightly—0.96% in 1989 against 0.97% in 1988, for a decline of 1.03% on a same-respondent basis.

Most of the respondents (57%) said their MIS expenses were 0.25% to 0.99% of their sales revenue. Eleven percent said they were less than 0.25%, and 21% spent 1%-2%. Eleven percent said MIS expenses accounted for more than 2% of their sales.

POS devices and controllers accounted for the bulk of capital expenditures for specialty stores (60%)—one of the highest shares for the category posted by any class of trade. Other costs were mainframe and peripherals (26%), backroom and administrative equipment (7%) and software (7%).

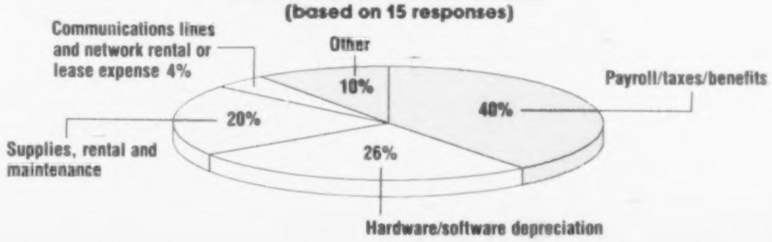
Companies spent 44% of their systems development payroll costs on new development in 1989, as opposed to on-going development. On a same-respondent basis, this figure was up 10% from 1988.

Organization: The average number of full-time employees in a specialty apparel MIS department was 39. However, 50% of respondents had MIS departments of 10 employees or less. The largest departments were in $1 billion-plus companies, which had an average of 147 MIS employees.

The average specialty apparel MIS department is split 17% management, 83% staff. Companies with sales of less than $399 million are slightly top-heavier with management (24%). Within the department, 43% of personnel concentrate on systems development, 9% on technical support, 39% on computer operations and 9% on administration.

Profile of the Director: Most heads of specialty apparel MIS departments are known as the vice president of MIS (52%). In

BREAKDOWN OF 1989 MIS EXPENSES
(based on 15 responses)



ANALYSIS OF MIS OPERATING EXPENSES

	PARTICIPANTS BY 1989 SALES VOLUME IN $ MILLIONS									
	Specialty apparel		Under $100		$100-$399		$400-$999		$1,000-or more	
	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988
Total number of survey participants	22	22	10	10	7	7	2	2	3	3
Number of responses to this question	19 100%	19 100%	7 100%	7 100%	7 100%	7 100%	2 100%	2 100%	3 100%	3 100%
Total expenses (in $millions)	65.3	58.4	1.7	1.7	12.2	11.6	13.2	11.3	38.2	33.8
Average expenses (in $millions)	3.4	3.1	.2	.2	1.7	1.7	6.6	5.7	12.7	11.3
Expenses under $350,000	5 26%	5 26%	5 71%	5 71%	— —	— —	— —	— —	— —	— —
$350,000-under $1 million	5 26%	5 26%	2 29%	2 29%	3 43%	3 43%	— —	— —	— —	— —
$1 million-under $5 million	5 26%	5 26%	— —	— —	4 57%	4 57%	1 50%	1 50%	— —	— —
$5 million or more	4 22%	4 22%	— —	— —	— —	— —	1 50%	1 50%	3 100%	3 100%

SPECIALTY: APPAREL

no other class of trade is this title so common—indeed, among specialty hardlines chains, the most common title is director of MIS (40%).

Specialty apparel MIS heads tend to report directly to a chief financial officer (52%) or to a chief executive officer (33%). They have been with the company an average of nine years, and have headed the MIS department an average of seven years.

Most specialty apparel MIS heads are 41 to 49 years old (50%). However, 23% are less than 30 years old, and 18% are 50 or older.

The average pay for a specialty apparel head of MIS before incentives was $69,850 in 1989, one of the highest offered by any class of trade. However, the average incentive compensation, including bonuses and options, was $13,256, by far the lowest. Twenty-five percent said they make $90,000 or more, while 25% said their salary is under $50,000.

Use of Scanning: Eighty-two percent of specialty apparel chains are now making some use of scanning technology. Among $1 billion-plus companies, this figure is as high as 100%, but even among companies with sales of less than $100 million, 75% are scanning.

Of all classes of trade, only mass merchants and supermarkets are making more use of scanning. Specialty hardlines chains are making much less use (36%).

Forty-one percent of specialty apparel retailers say they are scanning at the point of sale, 53% mention scanning in the warehouse or distribution center, and 12% say they are doing non-POS scanning in the store.

Among specialty apparel companies that now scan, 78% say they intend to eventually be 100% scanned at the point of sale—the highest percentage of all classes of trade. Twenty-five percent say they intend to be 100% scanned in the warehouse or distribution center, and 25% intend to scan 100% in the store (non-POS).

UPC-A is the most commonly-used type of bar code (56%) among specialty apparel stores.

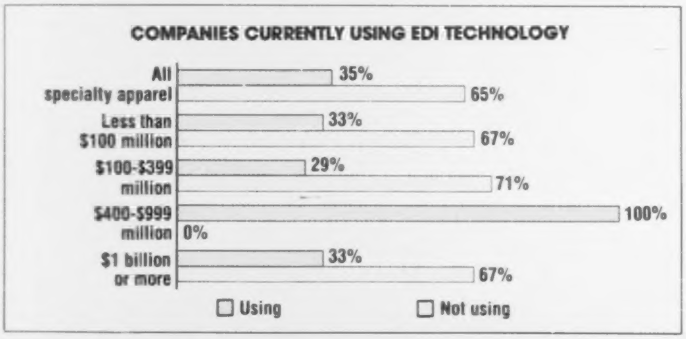
The most popular type of scanner is the hand-held variety (88%). No one mentioned making use of the fixed-head stationary type, and only 13% said they were using contact wands.

Respondents who scan at the point of sale have an average of four scanners per store. Nine percent indicated having more than 20 scanners.

Among respondents who are not planning to scan, 50% said it was because scanning was inappropriate for their type of merchandise. Seventy-five percent cited the high cost of scanning, and 25% cited the insufficient quantity of vendor-marked goods.

Use of EDI: Thirty-five percent of specialty apparel companies are now using EDI. Size of company appears to have no bearing.

When asked whether they planned to use EDI, 69% of companies said that they did. Among $1 billion-plus companies, this figure was as high as 100%, while


COMPANIES CURRENTLY USING EDI TECHNOLOGY

NUMBER OF FULL-TIME EQUIVALENT MIS PERSONNEL IN 1989

	PARTICIPANTS BY 1989 SALES VOLUME IN $MILLIONS				
	Specialty apparel	Under $100	$100-$399	$400-$999	$1,000 or more
Total number of survey participants	22	10	7	2	3
Number of responses to this question	22 100%	10 100%	7 100%	2 100%	3 100%
Number of full-time equivalent MIS personnel:					
1 to 10	11 50%	10 100%	1 14%	— —	— —
11 to 25	3 14%	— —	3 43%	— —	— —
26 to 50	3 14%	— —	3 43%	— —	— —
51 to 100	1 4%	— —	— —	1 50%	— —
101 to 200	4 18%	— —	— —	1 50%	3 100%
Over 200	— —	— —	— —	— —	— —
Total full-time equivalent MIS personnel	864	54	170	199	441
Average number of full-time equivalent MIS personnel	39	5	24	100	147

SPECIALTY: APPAREL

among companies with sales below $100 million, it was as low as 50%.

Specialty apparel chains which now use EDI are exchanging data with an average of 4% of their apparel vendors and 5.63% of their non-apparel vendors. Seventeen percent are exchanging data with 6%-25% of their apparel vendors, while 13% are exchanging data with 26%-50% of their non-apparel vendors.

Most specialty apparel chains which use EDI said they were involved in programs with a total of 1-25 vendors (67%). Thirty-three percent of EDI users indicated they were in pilot test only.

Thirty percent of EDI users indicated that the vendors with which they were exchanging data totaled 10%-49% of their purchase order dollar volume, while 70% of users said the vendors' total was 9% of that volume or less.

Specialty apparel respondents that use EDI said they are using it for the following transactions: purchase orders (29%), purchase order acknowledgements (14%), vendor invoices (7%), vendor advance shipping notices (7%), sending point-of-sale data (29%), and payments (7%).

Most specialty apparel retailers using EDI cited shortening the reorder fulfillment cycle as a primary reason (38%). Others suggested EDI would help them gain a competitive edge (25%).

Respondents indicated that the VICS/ANSI X.12 communication format has established itself as the leading EDI format in specialty apparel stores (88%).

Specialty apparel EDI users are purchasing packaged EDI software (25%), or software provided by a third party network (33%). A substantial number are developing software in-house (33%).

POS/In-Store Systems: About 9% of specialty apparel retailers said they installed their present POS system more than 10 years ago. Twenty-seven percent said it is 6-10 years old, and 41% said theirs is 2-6 years old. Twenty-three percent said their system is less than two years old.

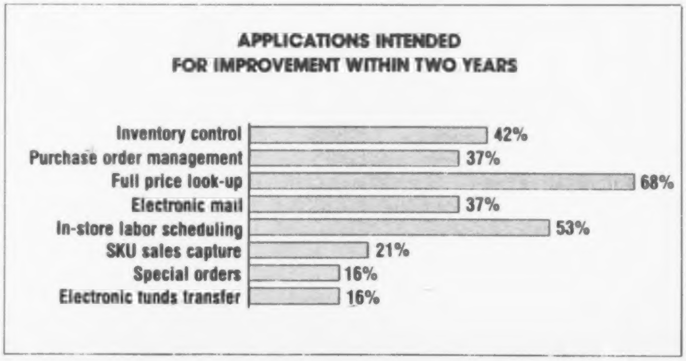
Programmable cash registers (56%) and electronic cash registers (25%) are the favored types of POS devices among specialty apparel chains. Micro PCs with cash drawers (13%) also have a strong following.

Asked about the likely operating system of their future in-store system, 41% of specialty apparel chains said it would be DOS, 29% mentioned OS/2, and 24% said it would be proprietary.

Only 10% percent of specialty apparel retailers said they plan to migrate their in-store systems to a platform-independent, UNIX-based environment by 1992. This represents the lowest level of support for UNIX of any class of trade.

Thirty-three percent of respondents said they use hand-held terminals in-store, and cited the following applications: physical inventory (17%), store receiving (11%) and sales recording (6%).

Emerging Technologies: Up and coming applications which specialty apparel retailers plan to implement in the years ahead include frequent buyer programs (56%), wireless POS devices (24%), interactive promotional video displays (5%), electronic aisle billboards (5%), interactive voice response systems (22%) and expert systems (26%).


APPLICATIONS INTENDED FOR IMPROVEMENT WITHIN TWO YEARS

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	PARTICIPANTS BY 1989 SALES VOLUME IN $MILLIONS				
	Specialty apparel	Under $100	$100-$399	$400-$999	$1,000 or more
Total number of survey participants	22	10	7	2	3
Number of responses to this question	17 100%	8 100%	5 100%	1 100%	3 100%
Currently scanning a bar code	14 82%	6 75%	5 100%	— —	3 100%
At the point of sale	7 41%	4 50%	1 20%	— —	2 67%
Into the warehouse/ distribution center	9 53%	2 25%	4 80%	— —	3 100%
In the store (non-POS)	2 12%	1 13%	1 20%	— —	— —
Other	2 12%	2 25%	— —	— —	— —
Not currently scanning	3 18%	2 25%	— —	1 100%	— —